

## **HOUSE BILL No. 1646**

DIGEST OF HB 1646 (Updated February 19, 2009 10:35 am - DI 101)

Citations Affected: IC 23-2; IC 23-19; IC 24-4.2; noncode.

Synopsis: Amends the statute concerning the regulation of loan brokers to specify that the law applies to residential mortgage loans. Amends the statute to bring it into compliance with the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (S.A.F.E. Act). Provides that mortgage loan originators and principal managers must be licensed, rather than registered, by the securities commissioner (commissioner). Reduces the application fees for licensure as a loan broker, mortgage loan originator, or principal manager. Specifies that a unique identifier obtained by an individual from the Nationwide Mortgage Licensing System and Registry (NMLSR) may not be used for purposes other than those set forth in the S.A.F.E. Act. Changes the amount of the bond that a loan broker licensee must maintain from \$50,000 to an amount equal to: (1) \$50,000; (2) \$100,000; or (3) \$150,000; depending on the total amount of residential mortgage loans originated by the licensee in the previous calendar year. Requires: (1) licensed mortgage loan originators; (2) licensed principal managers; and (3) certain individuals associated with licensed loan brokers; to submit fingerprints to the commissioner every three years for use in criminal history background checks. Requires an applicant for licensure as a mortgage loan originator or as a principal manager to authorize the commissioner to obtain a consumer report concerning the applicant. Sets forth certain information from a consumer report that the commissioner may consider in determining whether an applicant has demonstrated financial responsibility. Sets forth requirements for the written examination that each applicant for licensure as a mortgage (Continued next page)

Effective: Upon passage; July 1, 2009; January 1, 2010; January 1, 2011.

## Burton, Bardon

January 16, 2009, read first time and referred to Committee on Financial Institutions. February 19, 2009, amended, reported — Do Pass.



loan originator or as a principal manager is required to take. Requires a licensee to renew the licensee's license annually, instead of biennially. Requires, rather than allows, the commissioner to deny, suspend, or revoke a license under certain circumstances. Increases the criminal penalty for violation of the loan broker statute from a Class D to a Class C felony. Provides that a violation is a Class B felony if the person damaged by the violation is at least 60 years of age. Requires a loan broker licensee to maintain a report of all residential mortgage loans originated by the licensee, including pending loans and loans that were not closed. Prohibits a person, in connection with a contract for loan brokerage services, from violating certain federal laws and regulations concerning residential mortgage lending. Provides that an individual who acts solely as a loan processor or underwriter shall not represent to the public that the individual may or will perform mortgage loan origination activities. Provides that the academic instruction that a person must complete to obtain or maintain a license must include specified hours of instruction in certain courses. Specifies that the written examination and academic instruction required for licensure as a mortgage loan originator or a principal manager must be approved by the NMLSR. Requires each loan broker licensee to submit periodic reports of condition to: (1) the commissioner; and (2) the NMLSR. Amends the uniform securities act to provide that: (1) a registered broker-dealer office that is selected to complete a compliance report shall file its report not later than 45 days (instead of 90 days under current law) after being notified of its selection; (2) a person who knowingly violates the act while using or taking advantage of a relationship based on religious affiliation or worship commits a Class B felony; and (3) a person who commits a fraud in connection with the offer, sale, or purchase of a security commits a Class B felony if the person damaged by the fraud is at least 60 years of age. Repeals a provision exempting certain persons from the loan broker statute. Repeals the existing Indiana statute concerning the licensing of loan brokers, effective January 1, 2011. Transfers responsibility for the licensing and regulation of loan brokers, mortgage loan originators, and principal managers from the commissioner to the department of financial institutions (department), effective January 1, 2011. Requires the commissioner and the director of the department to issue joint guidelines concerning any legislation recommended for introduction during the 2010 session of the general assembly to facilitate the transfer. Requires the commissioner and the director to submit the recommendations to: (1) the legislative council; and (2) the members of the legislative standing committees that have jurisdiction over legislation concerning financial institutions; not later than November 1, 2009.



## First Regular Session 116th General Assembly (2009)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in this style type, and deletions will appear in this style type.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or *this style type* reconciles conflicts between statutes enacted by the 2008 Regular Session of the General Assembly.

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## **HOUSE BILL No. 1646**

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A BILL FOR AN ACT to amend the Indiana Code concerning business and other associations.

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Be it enacted by the General Assembly of the State of Indiana:

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- SECTION 1. IC 23-2-5-3, AS AMENDED BY P.L.145-2008, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2010]: Sec. 3. (a) As used in this chapter, "certificate of registration" means a certificate issued by the commissioner authorizing an individual to:
  - (1) engage in origination activities on behalf of a licensee; or
  - (2) act as a principal manager on behalf of a licensee.
- (b) (a) As used in this chapter, "loan broker license" means a license issued by the commissioner authorizing a person to engage in the loan brokerage business.
- (c) (b) As used in this chapter, "licensee" means a person that is issued a license under this chapter.
- (d) (c) As used in this chapter, "loan broker" means any person who, in return for any consideration from any source procures, attempts to procure, or assists in procuring, a **residential mortgage** loan from a

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1	third party or any other person, whether or not the person seeking the
2	loan actually obtains the loan. "Loan broker" does not include:
3	(1) any supervised financial organization (as defined in
4	IC 24-4.5-1-301(20)), including a bank, savings bank, trust
5	company, savings association, or credit union;
6	(2) any other financial institution that is:
7	(A) regulated by any agency of the United States or any state;
8	and
9	(B) regularly actively engaged in the business of making
10	consumer loans that are not secured by real estate or taking
11	assignment of consumer sales contracts that are not secured by
12	real estate;
13	(3) any insurance company;
14	(4) any person arranging financing for the sale of the person's
15	product; or
16	(5) a creditor that is licensed under IC 24-4.4-2-402.
17	(e) (d) As used in this chapter, "loan brokerage business" means a
18	person acting as a loan broker.
19	(f) (e) As used in this chapter, "mortgage loan origination
20	activities" means communication with or assistance of a borrower or
21	prospective borrower in the selection of loan products or terms.
22	performing any of the following activities for compensation or gain
23	in connection with a residential mortgage loan:
24	(1) Receiving or recording a borrower's or potential
25	borrower's residential mortgage loan application information
26	in any form for use in a credit decision by a creditor.
27	(2) Offering to negotiate or negotiating terms of a residential
28	mortgage loan.
29	(g) (f) As used in this chapter, "mortgage loan originator" means
30	a person an individual engaged in mortgage loan origination
31	activities. The term "originator" does not include a person who:
32	performs origination activities for any entity that is not a loan broker
33	under subsection (d).
34	(1) performs purely administrative or clerical tasks on behalf
35	of a mortgage loan originator or acts as a loan processor or
36	underwriter;
37	(2) performs only real estate brokerage activities and is
38	licensed in accordance with IC 25-34.1 or the applicable laws
39	of another state, unless the person is compensated by a
40	creditor, a loan broker, a mortgage loan originator, or any
41	agent of a creditor, a loan broker, or a mortgage loan



originator; or

1	(3) is involved only in extensions of credit relating to time	
2	share plans (as defined in 11 U.S.C. 101(53D)).	
3	(g) As used in this chapter, "mortgage loan originator license"	
5	means a license issued by the commissioner authorizing an individual to act as a mortgage loan originator on behalf of a loan	
6	broker licensee.	
7	(h) As used in this chapter, "person" means an individual, a	
8	partnership, a trust, a corporation, a limited liability company, a limited	
9	liability partnership, a sole proprietorship, a joint venture, a joint stock	
10	company, or another group or entity, however organized.	
11	(i) As used in this chapter, "registrant" means an individual who is	
12	registered:	
13	(1) to engage in origination activities under this chapter; or	
14	(2) as a principal manager.	
15	(i) As used in this chapter, "ultimate equitable owner" means a	
16	person who, directly or indirectly, owns or controls ten percent (10%)	
17	or more of the equity interest in a loan broker licensed or required to be	
18	licensed under this chapter, regardless of whether the person owns or	
19	controls the equity interest through one (1) or more other persons or	
20	one (1) or more proxies, powers of attorney, or variances.	
21	(k) (j) As used in this chapter, "principal manager" means an	
22	individual who:	
23	(1) has at least three (3) years of experience:	
24	(A) as a <del>loan broker;</del> mortgage loan originator; or	
25	(B) in financial services;	
26	that is acceptable to the commissioner; and	
27	(2) is principally responsible for the supervision and management	1
28	of the employees and business affairs of a loan broker licensee.	
29	(k) As used in this chapter, "principal manager license" means	1
30	a license issued by the commissioner authorizing an individual to	
31	act as:	
32	(1) a principal manager; and	
33	(2) a mortgage loan originator;	
34	on behalf of a loan broker licensee.	
35	(1) As used in this chapter, "bona fide third party fee", with	
36	respect to a residential mortgage loan, includes any of the	
37	following:	
38	(1) Fees for real estate appraisals. However, if the residential	
39	mortgage loan is governed by Title XI of the Financial	
40	Institutions Reform, Recovery, and Enforcement Act (12	
41	U.S.C. 3331 through 3352), the fee for an appraisal performed	
42	in connection with the loan is not a bona fide third party fee	



1	unless the appraisal is performed by a person that is licensed
2	or certified under IC 25-34.1-3-8.
3	(2) Fees for title examination, abstract of title, title insurance,
4	property surveys, or similar purposes.
5	(3) Notary and credit report fees.
6	(4) Fees for the services provided by a loan broker in
7	procuring possible business for a creditor if the fees are paid
8	by the creditor.
9	(m) As used in this chapter, "branch office" means any fixed
10	physical location from which a loan broker licensee holds itself out
11	as engaging in the loan brokerage business.
12	(n) As used in this chapter, "loan processor or underwriter"
13	means an individual who:
14	(1) is employed by a loan broker licensee and acts at the
15	direction of, and subject to the supervision of, the loan broker
16	licensee or a licensed principal manager employed by the loan
17	broker licensee; and
18	(2) performs solely clerical or support duties on behalf of the
19	loan broker licensee, including any of the following activities
20	with respect to a residential mortgage loan application
21	received by the loan broker licensee:
22	(A) The receipt, collection, distribution, and analysis of
23	information commonly used in the processing or
24	underwriting of a residential mortgage loan.
25	(B) Communicating with a borrower or potential borrower
26	to obtain the information necessary for the processing or
27	underwriting of a residential mortgage loan, to the extent
28	that the communication does not include:
29	(i) offering or negotiating loan rates or terms; or
30	(ii) counseling borrowers or potential borrowers about
31	residential mortgage loan rates or terms.
32	(o) As used in this chapter, "real estate brokerage activity"
33	means any activity that involves offering or providing real estate
34	brokerage services to the public, including any of the following:
35	(1) Acting as a real estate broker or salesperson for a buyer,
36	seller, lessor, or lessee of real property.
37	(2) Bringing together parties interested in the sale, lease, or
38	exchange of real property.
39	(3) Negotiating, on behalf of any party, any part of a contract
40	concerning the sale, lease, or exchange of real property, other
41	than in connection with obtaining or providing financing for



the transaction.

1	(4) Engaging in any activity for which the person performing	
2	the activity is required to be licensed under IC 25-34.1 or the	
3	applicable laws of another state.	
4	(5) Offering to engage in any activity, or to act in any capacity	
5	with respect to any activity, described in subdivisions (1)	
6	through (4).	
7	(p) As used in this chapter, "registered mortgage loan	
8	originator" means a mortgage loan originator who:	
9	(1) is an employee of:	
10	(A) a depository institution;	1
11	(B) a subsidiary that is:	
12	(i) owned and controlled by a depository institution; and	
13	(ii) regulated by a federal financial institution regulatory	
14	agency (as defined in 12 U.S.C. 3350(6)); or	
15	(C) an institution regulated by the Farm Credit	
16	Administration; and	4
17	(2) is registered with and maintains a unique identifier with	
18	the Nationwide Mortgage Licensing System and Registry.	
19	(q) As used in this chapter, "residential mortgage loan" means	
20	a loan that is secured by a mortgage, deed of trust, or other	
21	consensual security interest on real estate in Indiana on which	
22	there is located or intended to be constructed a dwelling (as defined	
23	in the federal Truth in Lending Act (15 U.S.C. 1602(v)) that is or	
24	will be used primarily for personal, family, or household purposes.	
25	(1) (r) As used in this chapter, "personal information" includes any	
26	of the following:	
27	(1) An individual's first and last names or first initial and last	1
28	name.	
29	(2) Any of the following data elements:	1
30	(A) A Social Security number.	
31	(B) A driver's license number.	
32	(C) A state identification card number.	
33	(D) A credit card number.	
34	(E) A financial account number or debit card number in	
35	combination with a security code, password, or access code	
36	that would permit access to the person's account.	
37	(3) With respect to an individual, any of the following:	
38	(A) Address.	
39	(B) Telephone number.	
40	(C) Information concerning the individual's:	
41	(i) income or other compensation;	
12	(ii) credit history:	



1	(iii) credit score;	
2	(iv) assets;	
3	(v) liabilities; or	
4	(vi) employment history.	
5	(m) (s) As used in this chapter, personal information is "encrypted"	
6	if the personal information:	
7	(1) has been transformed through the use of an algorithmic	
8	process into a form in which there is a low probability of	
9	assigning meaning without use of a confidential process or key;	
0	or	
1	(2) is secured by another method that renders the personal	
2	information unreadable or unusable.	
3	(n) (t) As used in this chapter, personal information is "redacted" if	
4	the personal information has been altered or truncated so that not more	
.5	than the last four (4) digits of:	
6	(1) a Social Security number;	
7	(2) a driver's license number;	U
8	(3) a state identification number; or	
9	(4) an account number;	
20	are accessible as part of the personal information.	
21	(u) As used in this chapter, "depository institution" has the	
22	meaning set forth in the Federal Deposit Insurance Act (12 U.S.C.	
23	1813(c)) and includes any credit union.	
24	(v) As used in this chapter, "state licensed mortgage loan	
25	originator" means any individual who:	
26	(1) is a mortgage loan originator;	
27	(2) is not an employee of:	
28	(A) a depository institution;	V
29	(B) a subsidiary that is:	
0	(i) owned and controlled by a depository institution; and	
1	(ii) regulated by a federal financial institution regulatory	
32	agency (as defined in 12 U.S.C. 3350(6)); or	
3	(C) an institution regulated by the Farm Credit	
4	Administration;	
55	(3) is licensed by a state or by the Secretary of the United	
66	States Department of Housing and Urban Development under	
57	Section 1508 of the S.A.F.E. Mortgage Licensing Act of 2008	
8	(Title V of P.L.110-289); and	
9	(4) is registered as a mortgage loan originator with, and	
10	maintains a unique identifier through, the Nationwide	
1	Mortgage Licensing System and Registry.	
-2	(w) As used in this chapter, "unique identifier" means a number	



1	or other identifier that:
2	(1) permanently identifies a mortgage loan originator; and
3	(2) is assigned by protocols established by the Nationwide
4	Mortgage Licensing System and Registry and the federal
5	financial institution regulatory agencies to facilitate:
6	(A) the electronic tracking of mortgage loan originators;
7	and
8	(B) the uniform identification of, and public access to, the
9	employment history of and the publicly adjudicated
10	disciplinary and enforcement actions against mortgage
11	loan originators.
12	SECTION 2. IC 23-2-5-4, AS AMENDED BY P.L.145-2008,
13	SECTION 11, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
14	JANUARY 1, 2010]: Sec. 4. (a) A person may not engage in the loan
15	brokerage business in Indiana unless the person first obtains a loan
16	broker license from the commissioner. Any person desiring to engage
17	or continue in the loan brokerage business shall apply to the
18	commissioner for a loan broker license under this chapter.
19	(b) An individual may not perform origination activities act as a
20	mortgage loan originator in Indiana on behalf of a person licensed or
21	required to be licensed as a loan broker under this chapter unless the
22	individual first obtains a certificate of registration unique identifier
23	from the Nationwide Mortgage Licensing System and Registry and
24	a mortgage loan originator license from the commissioner. An
25	individual desiring to engage in origination activities act as a
26	mortgage loan originator on behalf of a person licensed or required
27	to be licensed as a loan broker under this chapter shall apply to the
28	commissioner for registration a mortgage loan originator license
29	under this chapter.
30	(c) An individual may not act as a principal manager on behalf of a
31	person licensed or required to be licensed as a loan broker under this
32	chapter unless the individual first obtains a certificate of registration
33	unique identifier from the Nationwide Mortgage Licensing System
34	and Registry and a principal manager license from the
35	commissioner. Any individual desiring to act as a principal manager on
36	behalf of a person licensed or required to be licensed as a loan broker
37	under this chapter shall apply to the commissioner for registration a
38	principal manager license under this chapter.
39	(d) The commissioner may request evidence of compliance with this
40	section at any of the following times:
41	(1) The time of application for an initial (A) license. or (B)



certificate of registration.

1	(2) The time of renewal of a ficense. Or certificate of registration:
2	(3) Any other time considered necessary by the commissioner.
3	(e) For purposes of subsection (d), evidence of compliance with this
4	section must include a criminal background check, including a national
5	criminal history background check (as defined in IC 10-13-3-12) by the
6	Federal Bureau of Investigation.
7	(f) A unique identifier obtained by an individual from the
8	Nationwide Mortgage Licensing System and Registry under
9	subsection (b) or (c) may not be used for purposes other than those
10	set forth in the S.A.F.E. Mortgage Licensing Act of 2008 (Title V
11	of P.L.110-289).
12	SECTION 3. IC 23-2-5-5, AS AMENDED BY P.L.145-2008,
13	SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
14	JANUARY 1, 2010]: Sec. 5. (a) An application for a loan broker
15	license or renewal of a loan broker license must contain:
16	(1) consent to service of process under subsection (h); (g);
17	(2) evidence of the bond required in subsection (e); (d);
18	(3) an application fee of four two hundred dollars (\$400), (\$200),
19	plus two one hundred dollars (\$200) (\$100) for each ultimate
20	equitable owner;
21	(4) an affidavit affirming that none of the applicant's ultimate
22	equitable owners, directors, managers, or officers have been
23	convicted, in any jurisdiction, of:
24	(A) any felony within the previous seven (7) years; or
25	(B) an offense involving fraud or deception that is punishable
26	by at least one (1) year of imprisonment;
27	unless such an affidavit is waived by the commissioner under
28	subsection (i); (h);
29	(5) evidence that the applicant, if the applicant is an individual,
30	has completed the education requirements under section 21 of this
31	chapter;
32	(6) the name and registration license number for each mortgage
33	loan originator to be employed by the licensee;
34	(7) the name and registration license number for each principal
35	manager; and
36	(8) for each ultimate equitable owner, the following information:
37	(A) The name of the ultimate equitable owner.
38	(B) The address of the ultimate equitable owner, including the
39	home address of the ultimate equitable owner if the ultimate
40	equitable owner is an individual.
41	(C) The telephone number of the ultimate equitable owner,
42	including the home telephone number if the ultimate equitable



1	owner is an individual.	
2	(D) The ultimate equitable owner's Social Security number and	
3	date of birth, if the ultimate equitable owner is an individual.	
4	(b) An application for registration licensure as an a mortgage loan	
5	originator shall be made on a registration form prescribed by the	
6	commissioner. The application must include the following information	
7	for the individual that seeks to be registered licensed as an a mortgage	
8	loan originator:	
9	(1) The name of the individual.	
10	(2) The home address of the individual.	
11	(3) The home telephone number of the individual.	
12	(4) The individual's Social Security number and date of birth.	
13	(5) The name of the:	
14	(A) loan broker licensee; or	
15	(B) applicant for loan broker licensure;	
16	for whom the individual seeks to be employed as an a mortgage	
17	loan originator.	
18	(6) Consent to service of process under subsection (h). (g).	
19	(7) Evidence that the individual has completed the education	
20	requirements described in section 21 of this chapter.	
21	(8) An application fee of one hundred fifty dollars (\$100). (\$50).	
22	(9) All:	
23	(A) registration numbers previously issued to the individual	
24	under this chapter, if the applicant was registered as an	
25	originator or a principal manager under this chapter	
26	before July 1, 2009; and	_
27	(B) license numbers previously issued to the individual	
28	under this chapter, if applicable.	
29	(c) An application for registration licensure as a principal manager	
30	shall be made on a registration form prescribed by the commissioner.	
31	The application must include the following information for the	
32	individual who seeks to be registered licensed as a principal manager:	
33	(1) The name of the individual.	
34	(2) The home address of the individual.	
35	(3) The home telephone number of the individual.	
36	(4) The individual's Social Security number and date of birth.	
37	(5) The name of the:	
38	(A) loan broker licensee; or	
39	(B) applicant for loan broker licensure;	
40	for whom the individual seeks to be employed as a principal	
41	manager.	
42	(6) Consent to service of process under subsection (h). (g).	



1	(7) Evidence that the individual has completed the education	
2	requirements described in section 21 of this chapter.	
3	(8) Evidence that the individual has at least three (3) years of	
4	experience in the:	
5	(A) loan brokerage; or	
6	(B) financial services;	
7	business.	
8	(9) An application fee of two one hundred dollars (\$200). (\$100).	
9	(10) All:	
10	(A) registration numbers previously issued to the individual	
11	under this chapter, if the applicant was registered as an	
12	originator or a principal manager under this chapter	
13	before July 1, 2009; and	
14	(B) license numbers previously issued to the individual	
15	under this chapter, if applicable.	_
16	(d) The commissioner shall require an applicant for registration as:	
17	(1) an originator under subsection (b); or	
18	(2) a principal manager under subsection (c);	
19	to pass a written examination prepared and administered by the	
20	commissioner or an agent appointed by the commissioner.	
21	(e) (d) A loan broker licensee must maintain a bond satisfactory to	
22	the commissioner, which must cover the activities of each licensed	
23	mortgage loan originator and licensed principal manager	
24	employed by the loan broker licensee. The bond must be in one (1)	_
25	of the amount of: following amounts, depending on the total amount	
26	of residential mortgage loans originated by the loan broker in the	_
27	previous calendar year:	
28	(1) Fifty thousand dollars (\$50,000) which if the total amount of	T T
29	residential mortgage loans originated by the loan broker in	
30	the previous calendar year was not greater than three million	
31	dollars (\$3,000,000).	
32	(2) One hundred thousand dollars (\$100,000) if the total	
33	amount of residential mortgage loans originated by the loan	
34	broker in the previous calendar year was greater than three	
35	million dollars (\$3,000,000) but not greater than ten million	
36	dollars (\$10,000,000).	
37	(3) One hundred fifty thousand dollars (\$150,000) if the total	
38	amount of residential mortgage loans originated by the loan	
39	broker in the previous calendar year was greater than ten	
40	million dollars (\$10,000,000).	
41	The bond shall be in favor of the state and shall secure payment of	
42	damages to any person aggrieved by any violation of this chapter by the	



1	licensee or any licensed mortgage loan originator or licensed
2	principal manager employed by the licensee.
3	(f) (e) The commissioner shall issue a license and license number
4	to an applicant that for a loan broker license, a mortgage loan
5	originator license, or a principal manager license if the applicant
6	meets the applicable licensure requirements of set forth in this
7	chapter. Whenever the registration provisions of this chapter have been
8	complied with, the commissioner shall issue a certificate of registration
9	and registration number authorizing the registrant to:
10	(1) engage in origination activities; or
11	(2) act as a principal manager;
12	whichever applies.
13	(g) (f) Licenses and initial certificates of registration issued by the
14	commissioner are valid until January 1 of under this chapter expire
15	on December 31 of the second year after issuance. in which they are
16	issued.
17	(h) (g) Every applicant for licensure or registration or for renewal
18	of a license or a registration shall file with the commissioner, in such
19	form as the commissioner by rule or order prescribes, an irrevocable
20	consent appointing the secretary of state to be the applicant's agent to
21	receive service of any lawful process in any noncriminal suit, action,
22	or proceeding against the applicant arising from the violation of any
23	provision of this chapter. Service shall be made in accordance with the
24	Indiana Rules of Trial Procedure.
25	(i) (h) Upon good cause shown, the commissioner may waive the
26	requirements of subsection (a)(4) for one (1) or more of an applicant's
27	ultimate equitable owners, directors, managers, or officers.
28	(i) Whenever an initial or a renewal application for a license or
29	registration is denied or withdrawn, the commissioner shall retain the
30	initial or renewal application fee paid.
31	(k) (j) At the time of application for an initial license under this
32	chapter, the commissioner shall require each:
33	(1) equitable owner, in the case of an applicant for a loan
34	broker license;
35	(2) individual described in subsection (a)(4), in the case of an
36	applicant for a loan broker license; and
37	(3) applicant for registration licensure as:
38	(A) an a mortgage loan originator; or
39	(B) a principal manager;
40	to submit fingerprints for a national criminal history background check
41	(as defined in IC 10-13-3-12) by the Federal Bureau of Investigation,
42	for use by the commissioner in determining whether the equitable



1	owner, the individual described in subsection (a)(4), or the applicant
2	should be denied licensure or registration under this chapter for any
3	reason set forth in section 10(c) or 10(d) of this chapter. The equitable
4	owner, individual described in subsection (a)(4), or applicant shall pay
5	any fees or costs associated with the fingerprints and background check
6	required under this subsection. The commissioner may not release the
7	results of a background check described in this subsection to any
8	private entity.
9	(k) Every three (3) years, beginning with the third calendar year
10	following the calendar year in which an initial license is issued
11	under this chapter, the commissioner shall require each:
12	(1) equitable owner, in the case of a loan broker licensee;
13	(2) individual described in subsection (a)(4), in the case of a
14	loan broker licensee; and
15	(3) licensed:
16	(A) mortgage loan originator; or
17	(B) principal manager;
18	to submit fingerprints for a national criminal history background
19	check (as defined in IC 10-13-3-12) by the Federal Bureau of
20	Investigation, for use by the commissioner in determining whether
21	the equitable owner, the individual described in subsection (a)(4),
22	or the licensee should be denied continued licensure under this
23	chapter for any reason set forth in section 10(c) of this chapter.
24	The equitable owner, individual described in subsection (a)(4), or
25	licensee shall pay any fees or costs associated with the fingerprints
26	and background check required under this subsection. The
27	commissioner may not release the results of a background check
28	described in this subsection to any private entity.
29	(l) The commissioner shall require each applicant for licensure
30	as:
31	(1) a mortgage loan originator; or
32	(2) a principal manager;
33	to submit written authorization for the commissioner or an agent
34	of the commissioner to obtain a consumer report (as defined in
35	IC 24-5-24-2) concerning the applicant.
36	(m) In reviewing a consumer report obtained under subsection
37	(l), the commissioner may consider one (1) or more of the following
38	in determining whether an individual described in subsection (1)
39	has demonstrated financial responsibility:
40	(1) Bankruptcies filed by the individual within the most recent

(2) Current outstanding civil judgments against the



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ten (10) years.

1	individual, except judgments resulting solely from medical
2	expenses owed by the individual.
3	(3) Current outstanding tax liens or other government liens or
4	filings.
5	(4) Foreclosure actions filed within the most recent three (3)
6	years against property owned by the individual.
7	(5) Any pattern of seriously delinquent accounts associated
8	with the individual during the most recent three (3) years.
9	SECTION 4. IC 23-2-5-5.5 IS ADDED TO THE INDIANA CODE
10	AS A <b>NEW</b> SECTION TO READ AS FOLLOWS [EFFECTIVE
11	JANUARY 1, 2010]: Sec. 5.5. (a) The commissioner shall require an
12	applicant for licensure as:
13	(1) a mortgage loan originator under section 5(b) of this
14	chapter; or
15	(2) a principal manager under section 5(c) of this chapter;
16	to pass a written examination prepared and administered by the
17	commissioner or an agent appointed by the commissioner and
18	approved by the Nationwide Mortgage Licensing System and
19	Registry.
20	(b) The written examination required by this section must
21	measure the applicant's knowledge and comprehension in
22	appropriate subject areas, including the following:
23	(1) Ethics.
24	(2) Federal laws and regulations concerning the origination of
25	residential mortgage loans.
26	(3) State laws and rules concerning the origination of
27	residential mortgage loans.
28	(c) An individual who answers at least seventy-five percent
29	(75%) of the questions on the written examination correctly is
30	considered to have passed the examination.
31	(d) An individual who does not pass the written examination
32	may retake the examination up to two (2) additional times, with
33	each subsequent attempt occurring at least thirty (30) days after
34	the individual last sat for the examination. If an individual fails
35	three (3) consecutive examinations, the individual must wait to
36	retake the examination until at least six (6) months after the
37	individual sat for the third examination.
38	(e) Except as provided in subsection (f), if an individual who has
39	been issued a mortgage loan originator license or a principal
40	manager license under this chapter:
41	(1) allows the individual's license to lapse; or

(2) otherwise does not maintain a valid license under this



1	chapter;
2	for a period of at least five (5) years, the individual must retake the
3	written examination required by this section.
4	(f) This subsection applies to an individual who was registered
5	as an originator or a principal manager under this chapter before
6	January 1, 2010. An individual to whom this subsection applies is
7	not required to take the written examination required by this
8	section except as follows:
9	(1) If the individual's registration issued under this chapter
10	before January 1, 2010, was valid and in effect on December
11	31, 2009, the individual is considered licensed under this
12	chapter as of January 1, 2010. After December 31, 2009, an
13	individual described in this subdivision is not required to take
14	the written examination required by this section unless the
15	individual:
16	(A) allows the individual's license to lapse; or
17	(B) otherwise does not maintain a valid license under this
18	chapter;
19	for a period of at least five (5) years, beginning at any time
20	after December 31, 2009.
21	(2) If the individual's registration issued under this chapter
22	before January 1, 2010, was not valid and in effect on
23	December 31, 2009, the individual is not considered licensed
24	under this chapter as of January 1, 2010. After December 31,
25	2009, an individual described in this subdivision who seeks to
26	act as a mortgage loan originator or a principal manager in
27	Indiana must:
28	(A) apply to the commissioner for licensure under section
29	5(b) or 5(c) of this chapter, whichever applies; and
30	(B) take the written examination required by this section.
31	SECTION 5. IC 23-2-5-6, AS AMENDED BY P.L.145-2008,
32	SECTION 13, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
33	JANUARY 1, 2010]: Sec. 6. A loan broker licensee may not continue
34	engaging in the loan brokerage business unless the licensee's license is
35	renewed <del>biennially.</del> annually. A <del>registrant</del> mortgage loan originator
36	licensee or a principal manager licensee may not continue acting as:
37	(1) engaging in origination activities; a mortgage loan
38	originator; or
39	(2) acting as a principal manager;
40	unless the registrant's certificate of registration licensee's license is
41	renewed biennially. annually. A licensee under this chapter shall

renew its license by filing with the commissioner, at least thirty (30)



days before the expiration of the license, an application containing any information the commissioner may require to indicate any material change from the information contained in the applicant's original application or any previous application. A registrant may renew the registrant's certificate of registration by filing with the commissioner, at least thirty (30) days before the expiration of the registration, an application containing any information the commissioner may require to indicate any material change from the information contained in the applicant's original application or any previous application.

SECTION 6. IC 23-2-5-7, AS AMENDED BY P.L.27-2007, SECTION 18, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2010]: Sec. 7. (a) The loan broker regulation account is created in the state general fund. The money in the loan broker regulation account may be used only for the regulation of loan brokers, mortgage loan originators, and principal managers under this chapter. The loan broker regulation account shall be administered by the treasurer of state. The money in the loan broker regulation account does not revert to any other account within the state general fund at the end of a state fiscal year.

- (b) Except as provided in subsection (c), all fees and funds accruing from the administration of this chapter shall be accounted for by the commissioner and shall be deposited with the treasurer of state who shall deposit them in the loan broker regulation account in the state general fund.
- (c) All expenses incurred in the administration of this chapter shall be paid from appropriations made from the state general fund. However, costs of investigations incurred under this chapter shall be paid from, and civil penalties recovered under this chapter shall be deposited in, the securities division enforcement account created under IC 23-19-6-1(f). The funds in the securities division enforcement account shall be available, with the approval of the budget agency, to augment and supplement the funds appropriated for the administration of this chapter.

SECTION 7. IC 23-2-5-9.1, AS ADDED BY P.L.230-2007, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2010]: Sec. 9.1. (a) As used in this section, "appraisal company" means a person business entity that: employs or retains the services of one (1) or more real estate appraisers.

- (1) performs real estate appraisals on a regular basis for compensation through one (1) or more owners, officers, employees, or agents; or
- (2) holds itself out to the public as performing real estate









1	appraisals.
2	(b) As used in this section, "immediate family", with respect to an
3	individual, refers to:
4	(1) the individual's spouse who resides in the individual's
5	household; and
6	(2) any dependent child of the individual.
7	(c) As used in this section, "real estate appraiser" means a person
8	who:
9	(1) is licensed as a real estate broker under IC 25-34.1 and
10	performs real estate appraisals within the scope of the person's
11	license; <del>or</del>
12	(2) holds a real estate appraiser license or certificate issued under
13	<del>IC 25-34.1-8.</del> IC 25-34.1-3-8; or
14	(3) otherwise performs real estate appraisals in Indiana.
15	(d) A person licensed or registered under this chapter, or a person
16	required to be licensed or registered under this chapter, shall not
17	knowingly bribe, coerce, or intimidate another person to corrupt or
18	improperly influence the independent judgment of a real estate
19	appraiser with respect to the value of any real estate offered as security
20	for a residential mortgage loan.
21	(e) Except as provided in subsection (f): after June 30, 2007:
22	(1) a person licensed or registered under this chapter, or a person
23	required to be licensed or registered under this chapter;
24	(2) a member of the immediate family of:
25	(A) a person licensed or registered under this chapter; or
26	(B) a person required to be licensed or registered under this
27	chapter; or
28	(3) a person described in subdivision (1) or (2) in combination
29	with one (1) or more other persons described in subdivision (1) or
30	(2);
31	may not own or control a majority interest in an appraisal company.
32	(f) This subsection applies to a person or combination of persons
33	described in subsection (e) who own or control a majority interest in an
34	appraisal company on June 30, 2007. The prohibition set forth in
35	subsection (e) does not apply to a person or combination of persons
36	described in this subsection, subject to the following:
37	(1) The interest in the appraisal company owned or controlled by
38	the person or combination of persons described in subsection (e)
39	shall not be increased after June 30, 2007.
40	(2) The interest of a person licensed or registered under this
41	chapter, or of a person required to be licensed or registered under

this chapter, shall not be transferred to a member of the person's



immediate family.

(3) If the commissioner determines that any person or combination of persons described in subsection (e) has violated this chapter, the commissioner may order one (1) or more of the persons to divest their interest in the appraisal company. The commissioner may exercise the remedy provided by this subdivision in addition to, or as a substitute for, any other remedy available to the commissioner under this chapter.

SECTION 8. IC 23-2-5-10, AS AMENDED BY P.L.145-2008, SECTION 14, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2010]: Sec. 10. (a) Whenever it appears to the commissioner that a person has engaged in or is about to engage in an act or a practice constituting a violation of this chapter or a rule or an order under this chapter, the commissioner may investigate and may issue, with a prior hearing if there exists no substantial threat of immediate irreparable harm or without a prior hearing, if there exists a substantial threat of immediate irreparable harm, orders and notices as the commissioner determines to be in the public interest, including cease and desist orders, orders to show cause, and notices. After notice and hearing, the commissioner may enter an order of rescission, restitution, or disgorgement, including interest at the rate of eight percent (8%) per year, directed to a person who has violated this chapter or a rule or order under this chapter.

- (b) Upon the issuance of an order or notice without a prior hearing by the commissioner under subsection (a), the commissioner shall promptly notify the respondent and, if the subject of the order or notice is a registrant, mortgage loan originator licensee or a principal manager licensee, the loan broker licensee for whom the registrant mortgage loan originator or principal manager is employed:
  - (1) that the order or notice has been issued;
  - (2) of the reasons the order or notice has been issued; and
  - (3) that upon the receipt of a written request the matter will be set down for a hearing to commence within fifteen (15) not later than forty-five (45) business days after receipt of the request unless the respondent consents to a later date.

If a hearing is not requested and not ordered by the commissioner, an order remains in effect until it is modified or vacated by the commissioner. If a hearing is requested or ordered, the commissioner, after notice of an opportunity for hearing, may modify or vacate the order or extend it until final determination.

(c) The commissioner may deny an application for an initial or a renewal license, or registration, and may suspend or revoke the license









1	of a licensee or the registration of a registrant if the applicant, the	
2	licensee, the registrant, or an ultimate equitable owner of an applicant	
3	for a loan broker license or of a loan broker licensee:	
4	(1) fails to maintain the bond required under section 5 of this	
5	<del>chapter;</del>	
6	(2) (1) has, within the most recent ten (10) years:	
7	(A) been the subject of an adjudication or a determination by:	
8	(i) a court with jurisdiction; or	
9	(ii) an agency or administrator that regulates securities,	
10	commodities, banking, financial services, insurance, real	
11	estate, or the real estate appraisal industry;	
12	in Indiana or in any other jurisdiction; and	
13	(B) been found, after notice and opportunity for hearing, to	
14	have violated the securities, commodities, banking, financial	
15	services, insurance, real estate, or real estate appraisal laws of	
16	Indiana or any other jurisdiction;	
17	(3) (2) except as provided in subsection (d)(1) with respect to	
18	the loan brokerage business, has:	
19	(A) been denied the right to do business in the securities,	
20	commodities, banking, financial services, insurance, real	
21	estate, or real estate appraisal industry; or	
22	(B) had the person's authority to do business in the securities,	
23	commodities, banking, financial services, insurance, real	
24	estate, or real estate appraisal industry revoked or suspended;	
25	by Indiana or by any other state, federal, or foreign governmental	
26	agency or self regulatory organization;	
27	(4) (3) is insolvent;	
28	(5) (4) has violated any provision of this chapter;	
29	(6) (5) has knowingly filed with the commissioner any document	
30	or statement that:	
31	(A) contains a false representation of a material fact;	
32	(B) fails to state a material fact; or	
33	(C) contains a representation that becomes false after the filing	
34	but during the term of a license or certificate of registration as	
35	provided in subsection (i); (j);	
36	(7) (6) has (A) been convicted, within ten (10) years before the	
37	date of the application, renewal, or review, of any crime, other	
38	than a felony, involving fraud or deceit; or (B) had a felony	
39	conviction (as defined in IC 35-50-2-1(b)) within five (5) years	
40	before the date of the application, renewal, or review;	
41	(8) (7) if the person is a <b>loan broker</b> licensee or a principal	
12	manager, has failed to reasonably supervise the person's	



1	mortgage loan originators or employees to ensure their	
2	compliance with this chapter;	
3	(9) (8) is on the most recent tax warrant list supplied to the	
4	commissioner by the department of state revenue; or	
5	(10) (9) has engaged in dishonest or unethical practices in the	
6	loan broker brokerage business, as determined by the	
7	commissioner.	
8	(d) The commissioner shall deny an application for an initial or	
9	a renewal license and shall suspend or revoke the license of a	
0	licensee if the applicant, the licensee, or an ultimate equitable	
1	owner of an applicant for a loan broker license or of a loan broker	
2	licensee:	
3	(1) has had a:	
4	(A) loan broker license issued under this chapter;	
.5	(B) mortgage loan originator license issued under this	
6	chapter;	
7	(C) principal manager license issued under this chapter; or	
8	(D) license that is:	
9	(i) equivalent to a license described in clause (A), (B), or	
20	(C); and	
21	(ii) issued by another jurisdiction;	
22	revoked by the commissioner or the appropriate regulatory	
23	agency in another jurisdiction, whichever applies;	
24	(2) has been convicted of or pleaded guilty or nolo contendere	_
2.5	to a felony in a domestic, foreign, or military court:	
26	(A) during the seven (7) year period immediately preceding	
27	the date of the application or review; or	
28	(B) at any time preceding the date of the application or	V
29	review if the felony involved an act of fraud or dishonesty,	
0	a breach of trust, or money laundering;	
31	(3) fails to maintain the bond required under section 5(d) of	
32	this chapter;	
3	(4) fails to demonstrate the financial responsibility, character,	
4	and general fitness necessary to:	
35	(A) command the confidence of the community in which	
66	the applicant or licensee engages or will engage in the loan	
57	brokerage business; and	
8	(B) warrant a determination by the commissioner that the	
19	applicant or licensee will operate honestly, fairly, and	
10	efficiently within the purposes of this chapter;	
1	(5) has failed to meet the education requirements set forth in	
12	section 21 of this chanter:	



1	(6) has failed to pass the written examination required by
2	section 5.5 of this chapter; or
3	(7) fails to:
4	(A) keep or maintain records in accordance with section 18
5	of this chapter; or
6 7	(B) allow the commissioner or an agent appointed by the
8	commissioner to inspect or examine a loan broker
9	licensee's books and records to determine compliance with section 18 of this chapter.
10	(d) (e) The commissioner may do either of the following:
11	(1) Censure:
12	(A) a licensee;
13	(B) an officer, a director, or an ultimate equitable owner of a
14	loan broker licensee; or
15	(C) a registrant; or
16	(C) any other person;
17	who violates or causes a violation of this chapter.
18	(2) Permanently bar any person described in subdivision (1) from
19	being:
20	(A) licensed <del>or registered</del> under this chapter; or
21	(B) employed by or affiliated with a person licensed or
22	registered under this chapter;
23	if the person violates or causes a violation of this chapter.
24	(e) (f) The commissioner may not enter a final order:
25	(1) denying, suspending, or revoking the license of an applicant
26	or a licensee; or the registration of a registrant; or
27	(2) imposing other sanctions;
28	without prior notice to all interested parties, opportunity for a hearing,
29	and written findings of fact and conclusions of law. However, the
30	commissioner may by summary order deny, suspend, or revoke a
31	license or certificate of registration pending final determination of any
32	proceeding under this section or before any proceeding is initiated
33	under this section. Upon the entry of a summary order, the
34	commissioner shall promptly notify all interested parties that the
35	summary order has been entered, of the reasons for the summary order,
36	and that upon receipt by the commissioner of a written request from a
37	party, the matter will be set for hearing to commence within fifteen
38	(15) not later than forty-five (45) business days after receipt of the
39	request. If no hearing is requested and none is ordered by the
10	commissioner, the order remains in effect until it is modified or vacated
<b>4</b> 1	by the commissioner. If a hearing is requested or ordered, the
12	commissioner, after notice of the hearing has been given to all



1	interested persons and the hearing has been held, may modify or vacate
2	the order or extend it until final determination.
3	(f) (g) IC 4-21.5 does not apply to a proceeding under this section.
4	(g) (h) If a registrant mortgage loan originator licensee or a
5	principal manager licensee seeks to transfer the registrant's
6	registration licensee's license to another loan broker licensee who
7	desires to have the registrant engage in origination activities mortgage
8	loan originator licensee or principal manager licensee act as a
9	mortgage loan originator or serve as a principal manager, whichever
10	applies, the registrant mortgage loan originator licensee or principal
11	manager licensee shall, before the registrant conducts origination
12	activities mortgage loan originator licensee or principal manager
13	licensee acts as a mortgage loan originator or serves as a principal
14	manager for the new employer, submit to the commissioner, on a form
15	prescribed by the commissioner, a registration license application, as
16	required by section 5 of this chapter.
17	(h) (i) If the employment of a registrant mortgage loan originator
18	licensee or principal manager licensee is terminated, whether:
19	(1) voluntarily by the registrant; mortgage loan originator
20	licensee or principal manager licensee; or
21	(2) by the loan broker licensee employing the registrant;
22	mortgage loan originator licensee or principal manager
23	licensee;
24	the loan broker licensee that employed the registrant mortgage loan
25	originator licensee or principal manager licensee shall, not later than
26	five (5) days after the termination, notify the commissioner of the
27	termination and the reasons for the termination.
28	(i) (j) If a material fact or statement included in an application under
29	this chapter changes after the application has been submitted, the
30	applicant shall provide written notice to the commissioner of the
31	change. The commissioner may deny, revoke, or refuse to renew the a
32	license or registration of applied for or held by any person who:
33	(1) is required to submit a written notice under this subsection
34	and fails to provide the required notice within two (2) business
35	days after the person discovers or should have discovered the
36	change; or
37	(2) would not qualify for licensure or registration under this
38	chapter as a result of the change in a material fact or statement.
39	SECTION 9. IC 23-2-5-11, AS AMENDED BY P.L.145-2008,

SECTION 15, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2010]: Sec. 11. (a) The commissioner may do the



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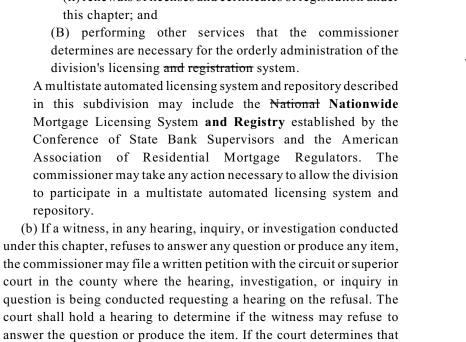
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following:

1	(1) Adopt rules under IC 4-22-2 to implement this chapter.	
2	(2) Make investigations and examinations:	
3	(A) in connection with any application for licensure or for	
4	registration of a licensee or registrant under this chapter or	
5	with any license or certificate of registration already granted;	
6	or	
7	(B) whenever it appears to the commissioner, upon the basis	
8	of a complaint or information, that reasonable grounds exist	
9	for the belief that an investigation or examination is necessary	
10	or advisable for the more complete protection of the interests	
11	of the public.	
12	(3) Charge as costs of investigation or examination all reasonable	
13	expenses, including a per diem prorated upon the salary of the	
14	commissioner or employee and actual traveling and hotel	
15	expenses. All reasonable expenses are to be paid by the party or	
16	parties under investigation or examination if the party has violated	
17	this chapter.	
18	(4) Issue notices and orders, including cease and desist notices	
19	and orders, after making an investigation or examination under	
20	subdivision (2). The commissioner may also bring an action on	
21	behalf of the state to enjoin a person from violating this chapter.	
22	The commissioner shall notify the person that an order or notice	
23	has been issued, the reasons for it, and that a hearing will be set	
24	within fifteen (15) not later than forty-five (45) days after the	
25	commissioner receives a written request from the person	
26	requesting a hearing.	
27	(5) Sign all orders, official certifications, documents, or papers	
28	issued under this chapter or delegate the authority to sign any of	V
29	those items to a deputy.	
30	(6) Hold and conduct hearings.	
31	(7) Hear evidence.	
32	(8) Conduct inquiries with or without hearings.	
33	(9) Receive reports of investigators or other officers or employees	
34	of the state of Indiana or of any municipal corporation or	
35	governmental subdivision within the state.	
36	(10) Administer oaths, or cause them to be administered.	
37	(11) Subpoena witnesses, and compel them to attend and testify.	
38	(12) Compel the production of books, records, and other	
39	documents.	
40	(13) Order depositions to be taken of any witness residing within	
41	or without the state. The depositions shall be taken in the manner	
42	prescribed by law for depositions in civil actions and made	



1	returnable to the commissioner.
2	(14) Order that each witness appearing under the commissioner's
3	order to testify before the commissioner shall receive the fees and
4	mileage allowances provided for witnesses in civil cases.
5	(15) Provide interpretive opinions or issue determinations that the
6	commissioner will not institute a proceeding or an action under
7	this chapter against a specified person for engaging in a specified
8	act, practice, or course of business if the determination is
9	consistent with this chapter. The commissioner may adopt rules
0	to establish fees for individuals requesting an interpretive opinion
1	or a determination under this subdivision. A person may not
2	request an interpretive opinion or a determination concerning an
3	activity that:
4	(A) occurred before; or
5	(B) is occurring on;
6	the date the opinion or determination is requested.
7	(16) Subject to subsection (f), designate a multistate automated
8	licensing system and repository, established and operated by a
9	third party, to serve as the sole entity responsible for:
20	(A) processing applications for:
21	(i) licenses and certificates of registration under this chapter;
22	and
23	(ii) renewals of licenses and certificates of registration under
24	this chapter; and
25	(B) performing other services that the commissioner
26	determines are necessary for the orderly administration of the
27	division's licensing and registration system.
28	A multistate automated licensing system and repository described
29	in this subdivision may include the National Nationwide
0	Mortgage Licensing System and Registry established by the
31	Conference of State Bank Supervisors and the American
32	Association of Residential Mortgage Regulators. The
33	commissioner may take any action necessary to allow the division
4	to participate in a multistate automated licensing system and
35	repository.
66	(b) If a witness, in any hearing, inquiry, or investigation conducted
37	under this chapter, refuses to answer any question or produce any item,
8	the commissioner may file a written petition with the circuit or superior
9	court in the county where the hearing, investigation, or inquiry in





1	the witness, based upon the witness's privilege against
2	self-incrimination, may properly refuse to answer or produce an item,
3	the commissioner may make a written request that the court grant use
4	immunity to the witness. Upon written request of the commissioner, the
5	court shall grant use immunity to a witness. The court shall instruct the
6	witness, by written order or in open court, that:
7	(1) any evidence the witness gives, or evidence derived from that
8	evidence, may not be used in any criminal proceedings against
9	that witness, unless the evidence is volunteered by the witness or
10	is not responsive to a question; and
11	(2) the witness must answer the questions asked and produce the
12	items requested.
13	A grant of use immunity does not prohibit evidence that the witness
14	gives in a hearing, investigation, or inquiry from being used in a
15	prosecution for perjury under IC 35-44-2-1. If a witness refuses to give
16	the evidence after the witness has been granted use immunity, the court
17	may find the witness in contempt.
18	(c) In any prosecution, action, suit, or proceeding based upon or
19	arising out of this chapter, the commissioner may sign a certificate
20	showing compliance or noncompliance with this chapter by any person.
21	This shall constitute prima facie evidence of compliance or
22	noncompliance with this chapter and shall be admissible in evidence
23	in any action at law or in equity to enforce this chapter.
24	(d) If:
25	(1) a person disobeys any lawful:
26	(A) subpoena issued under this chapter; or
27	(B) order or demand requiring the production of any books,
28	accounts, papers, records, documents, or other evidence or
29	information as provided in this chapter; or
30	(2) a witness refuses to:
31	(A) appear when subpoenaed;
32	(B) testify to any matter about which the witness may be
33	lawfully interrogated; or
34	(C) take or subscribe to any oath required by this chapter;
35	the circuit or superior court of the county in which the hearing, inquiry,
36	or investigation in question is held, if demand is made or if, upon
37	written petition, the production is ordered to be made, or the

commissioner or a hearing officer appointed by the commissioner, shall

compel compliance with the lawful requirements of the subpoena,

order, or demand, compel the production of the necessary or required

books, papers, records, documents, and other evidence and

information, and compel any witness to attend in any Indiana county



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1	and to testify to any matter about which the witness may lawfully be
2	interrogated, and to take or subscribe to any oath required.
3	(e) If a person fails, refuses, or neglects to comply with a court order
4	under this section, the person shall be punished for contempt of court.
5	(f) The commissioner's authority to designate a multistate automated
6	licensing system and repository under subsection (a)(16) is subject to
7	the following:
8	(1) The commissioner may not require any person exempt from
9	licensure or registration that is not required to be licensed under
10	this chapter, or any employee or agent of an exempt a person that
11	is not required to be licensed under this chapter, to:
12	(A) submit information to; or
13	(B) participate in;
14	the multistate automated licensing system and repository.
15	(2) The commissioner may require a person required under this
16	chapter to submit information to the multistate automated
17	licensing system and repository to pay a processing fee considered
18	reasonable by the commissioner.
19	SECTION 10. IC 23-2-5-16, AS AMENDED BY P.L.230-2007,
20	SECTION 13, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
21	JULY 1, 2009]: Sec. 16. (a) Except as provided in subsection (b), a
22	person who knowingly violates this chapter commits a Class D Class
23	C felony.
24	(b) A person who knowingly violates this chapter commits a
25	Class B felony if the person damaged by the violation is at least
26	sixty (60) years of age.
27	(b) (c) A person commits a Class C felony if the person knowingly
28	makes or causes to be made:
29	(1) in any document filed with or sent to the commissioner or the
30	securities division; or
31	(2) in any proceeding, investigation, or examination under this
32	chapter;
33	any statement that is, at the time and in the light of the circumstances
34	under which it is made, false or misleading in any material respect.
35	SECTION 11. IC 23-2-5-18, AS AMENDED BY P.L.145-2008,
36	SECTION 16, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
37	JANUARY 1, 2010]: Sec. 18. (a) Each loan broker agreement shall be
38	given an account number. Each person licensed as a loan broker or
39	required to be licensed as a loan broker under this chapter shall keep
40	and maintain the following records or their electronic equivalent:

(1) A file for each borrower or proposed borrower that contains



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the following:

1	(A) The name and address of the borrower or any proposed	
2	borrower.	
3	(B) A copy of the signed loan broker agreement.	
4	(C) A copy of any other papers or instruments used in	
5	connection with the loan broker agreement and signed by the	
6	borrower or any proposed borrower.	
7	(D) If a loan was obtained for the borrower, the name and	
8	address of the creditor.	
9	(E) If a loan is accepted by the borrower, a copy of the loan	
10	agreement.	- 1
11	(F) The amount of the loan broker's fee that the borrower has	1
12	paid. If there is an unpaid balance, the status of any collection	
13	efforts.	
14	(2) All receipts from or for the account of borrowers or any	
15	proposed borrowers and all disbursements to or for the account of	
16	borrowers or any proposed borrowers, recorded so that the	- (
17	transactions are readily identifiable.	•
18	(3) A general ledger that shall be posted at least monthly, and a	
19	trial balance sheet and profit and loss statement prepared within	
20	thirty (30) days of the commissioner's request for the information.	
21	(4) A sample of:	
22	(A) all advertisements, pamphlets, circulars, letters, articles,	
23	or communications published in any newspaper, magazine, or	
24	periodical;	
25	(B) scripts of any recording, radio, or television	
26	announcement; and	
27	(C) any sales kits or literature;	1
28	to be used in solicitation of borrowers.	
29	(5) A report that lists all residential mortgage loans, including	
30	pending loans and loans that were not closed, originated by	
31	the loan broker. The report required by this subdivision must	
32	be searchable by, or organized according to, the borrower's	
33	last name and must include the following information for each	
34	residential mortgage loan listed:	
35	(A) The name and address of the borrower or potential	
36	borrower.	
37	(B) The name of the creditor.	
38	(C) The name of the mortgage loan originator.	
39	(D) The loan amount.	
40	(E) The status of the loan, including the date of closing or	
41	denial by the creditor.	
42	(F) The interest rate for the loan.	



1	The report required by this subdivision may be prepared or
2	produced by or through the loan broker's loan origination
3	software or other software used by the loan broker in its loan
4	brokerage business.
5	(b) The records listed in subsection (a) shall be kept for a period of
6	two (2) years in the <del>loan broker's principal</del> office of the loan broker
7	in which the loan was originated and must be separate or readily
8	identifiable from the records of any other business that is conducted in
9	the office of the loan broker. If the office in which any records are
10	required to be kept under this subsection is located outside
11	Indiana, the records must be:
12	(1) made available at a location that is:
13	(A) located in Indiana; and
14	(B) accessible to the securities division; or
15 16	(2) maintained electronically and made available to the
16 17	securities division not later than ten (10) business days after
1 / 18	a request by the securities division to inspect or examine the records.
10 19	(c) If a breach of the security of any records:
20	(1) maintained by a loan broker under this section; and
21	(2) containing the unencrypted, unredacted personal information
22	of one (1) or more borrowers or prospective borrowers;
23	occurs, the loan broker is subject to the disclosure requirements under
24	IC 24-4.9-3, unless the loan broker is exempt from the disclosure
25	requirements under IC 24-4.9-3-4.
26	(d) A person who is (1) licensed or required to be licensed under
27	this chapter or (2) registered or required to be registered under this
28	chapter; may not dispose of the unencrypted, unredacted personal
29	information of one (1) or more borrowers or prospective borrowers
30	without first shredding, incinerating, mutilating, erasing, or otherwise
31	rendering the information illegible or unusable.
32	SECTION 12. IC 23-2-5-18.5, AS ADDED BY P.L.230-2007,
33	SECTION 14, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
34	JANUARY 1, 2010]: Sec. 18.5. Whenever a person licensed or
35	registered under this chapter, or a person required to be licensed or
36	registered under this chapter, has possession of funds belonging to
37	others, including money received by or on behalf of a prospective
38	borrower, the person licensed or registered under this chapter, or
39	required to be licensed or registered under this chapter, shall:
40	(1) upon request of the prospective borrower, account for any
41	funds handled for the prospective borrower;

(2) follow any reasonable and lawful instructions from the



1	prospective borrower concerning the prospective borrower's
2	funds; and
3	(3) return any unspent funds of the prospective borrower to the
4	prospective borrower in a timely manner.
5	SECTION 13. IC 23-2-5-18.7 IS ADDED TO THE INDIANA
6	CODE AS A <b>NEW</b> SECTION TO READ AS FOLLOWS
7	[EFFECTIVE JANUARY 1, 2010]: Sec. 18.7. Each loan broker
8	licensee shall submit, at such times as the commissioner may
9	require, reports of condition to:
10	(1) the commissioner; and
11	(2) the Nationwide Mortgage Licensing System and Registry.
12	A report required by this section shall be in such form and contain
13	such information as the commissioner may require.
14	SECTION 14. IC 23-2-5-20, AS AMENDED BY P.L.145-2008,
15	SECTION 18, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
16	JULY 1, 2009]: Sec. 20. (a) A person shall not, in connection with a
17	contract for the services of a loan broker, either directly or indirectly,
18	do any of the following:
19	(1) Employ any device, scheme, or artifice to defraud.
20	(2) Make any untrue statements of a material fact or omit to state
21	a material fact necessary in order to make the statements made, in
22	the light of circumstances under which they are made, not
23	misleading.
24	(3) Engage in any act, practice, or course of business that operates
25	or would operate as a fraud or deceit upon any person.
26	(4) Collect or solicit any consideration, except a bona fide third
27	party fee, in connection with a loan until the loan has been closed.
28	(5) Receive any funds if the person knows that the funds were
29	generated as a result of a fraudulent act.
30	(6) File or cause to be filed with a county recorder any document
31	that the person knows:
32	(A) contains:
33	(i) a misstatement; or
34	(ii) an untrue statement;
35	of a material fact; or
36	(B) omits a statement of a material fact that is necessary to
37	make the statements that are made, in the light of
38	circumstances under which they are made, not misleading.
39	(7) Knowingly release or disclose the unencrypted, unredacted
40	personal information of one (1) or more borrowers or prospective
41	borrowers, unless the personal information is used in an activity
42	authorized by the borrower or prospective borrower under one (1)



1	or more of the following circumstances:	
2	(A) The personal information is:	
3	(i) included on an application form or another form; or	
4	(ii) transmitted as part of an application process or an	
5	enrollment process.	
6	(B) The personal information is used to obtain a consumer	
7	report (as defined in IC 24-5-24-2) for an applicant for credit.	
8	(C) The personal information is used to establish, amend, or	
9	terminate an account, a contract, or a policy, or to confirm the	
10	accuracy of the personal information.	4
11	However, personal information allowed to be disclosed under this	
12	subdivision may not be printed in whole or in part on a postcard	•
13	or other mailer that does not require an envelope, or in a manner	
14	that makes the personal information visible on an envelope or a	
15	mailer without the envelope or mailer being opened.	
16	(8) Engage in any reckless or negligent activity allowing the	4
17	release or disclosure of the unencrypted, unredacted personal	
18	information of one (1) or more borrowers or prospective	
19	borrowers. An activity described in this subdivision includes an	
20	action prohibited by section 18(d) of this chapter.	
21	(9) Knowingly bribe, coerce, or intimidate another person to	
22	corrupt or improperly influence the independent judgment of	ı
23	a real estate appraiser with respect to the value of any real	
24	estate offered as security for a residential mortgage loan, as	•
25	prohibited by section 9.1(d) of this chapter.	
26	(10) Violate any of the following:	
27	(A) The federal Truth in Lending Act (15 U.S.C. 1601 et	٦
28	seq.).	
29	(B) The federal Real Estate Settlement Procedures Act (12	
30	U.S.C. 2601 et seq.), as amended.	
31	(C) The federal Equal Credit Opportunity Act (15 U.S.C.	
32	1691 et seq.).	
33	(D) Any other federal law or regulation concerning	
34	residential mortgage lending.	
35	(b) A person who commits an act described in subsection (a) is	
36	subject to sections 10, 14, 15, and 16 of this chapter.	
37	SECTION 15. IC 23-2-5-20.5, AS ADDED BY P.L.230-2007,	
38	SECTION 16, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE	
39	JANUARY 1, 2010]: Sec. 20.5. (a) A person licensed or required to be	
40	licensed as a loan broker under this chapter shall not employ a person	
41	to engage in origination activities act as a mortgage loan originator	
42	unless the person is registered licensed as an a mortgage loan	



1	originator or a principal manager under this chapter. The registration
2	license of an a mortgage loan originator or a principal manager is not
3	effective during any period in which the mortgage loan originator or
4	principal manager is not employed by a loan broker licensed under this
5	chapter.
6	(b) A person licensed or required to be licensed as a loan broker
7	under this chapter shall not operate any principal or branch office of a
8	loan brokerage business without employing a registered licensed
9	principal manager at that location.
10	(c) The licensed principal manager employed at a principal or
11	branch office of a loan brokerage business shall supervise all
12	employees at that location. If a licensed mortgage loan originator
13	works from a location that is not a principal or branch office of a
14	loan brokerage business, the mortgage loan originator shall be
15	supervised by the principal manager employed at the principal or
16	branch office at which the mortgage loan originator's loan files are
17	sent.
18	(d) An individual that acts solely as a loan processor or
19	underwriter shall not represent to the public through:
20	(1) advertising; or
21	(2) other means of communicating or providing information,
22	including the use of business cards, stationery, brochures,
23	signs, rate lists, or other promotional items;
24	that the individual may or will perform mortgage loan origination
25	activities or otherwise act as a mortgage loan originator.
26	SECTION 16. IC 23-2-5-21, AS AMENDED BY P.L.230-2007,
27	SECTION 17, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
28	JANUARY 1, 2010]: Sec. 21. (a) A person applying for an initial
29	license or certificate of registration must provide to the commissioner
30	evidence that during the twenty-four (24) month period immediately
31	preceding the application that the person completed at least twenty-four
32	(24) twenty (20) hours of academic instruction, acceptable to the
33	commissioner related to the loan brokerage business. and approved by
34	the Nationwide Mortgage Licensing System and Registry. The
35	education hours required under this subsection must include the
36	following:
37	(1) Three (3) hours of federal law and regulations concerning
38	residential mortgage lending.
39	(2) Three (3) hours of ethics, including instruction on fraud,

consumer protection, and fair lending practices.

nontraditional residential mortgage loan products.

(3) Two (2) hours of training concerning lending standards for



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1	(4) Two (2) hours of state law and rules concerning residential
2	mortgage lending.
3	(b) To maintain a license or registration under this chapter, a person
4	must provide to the commissioner evidence that the person has
5	completed at least six (6) eight (8) hours of academic instruction that
6	is (1) acceptable to the commissioner, and (2) related to the loan
7	brokerage business; approved by the Nationwide Mortgage
8	Licensing System and Registry, during each calendar year after the
9	year in which the license or registration was initially issued. The
10	education hours required under this subsection must include the
11	following:
12	(1) Three (3) hours of federal law and regulations concerning
13	residential mortgage lending.
14	(2) Two (2) hours of ethics, including instruction on fraud,
15	consumer protection, and fair lending practices.
16	(3) Two (2) hours of training concerning lending standards for
17	nontraditional residential mortgage loan products.
18	(b) (c) In determining the acceptability of academic instruction the
19	commissioner shall give consideration to approval of a licensee's
20	internal academic instruction programs completed by employees.
21	(c) (d) In determining the acceptability of an education course, the
22	commissioner may require a fee, in an amount prescribed by the
23	commissioner by rule or order, for the commissioner's review of the
24	course.
25	SECTION 17. IC 23-2-5-22, AS AMENDED BY P.L.145-2008,
26	SECTION 19, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
27	JANUARY 1, 2010]: Sec. 22. (a) An appeal may be taken by:
28	(1) any person whose application for an initial or a renewal
29	license under this chapter is granted or denied, from any final
30	order of the commissioner concerning the application;
31	(2) any applicant for initial or renewed registration licensure as
32	a principal manager or an a mortgage loan originator, from any
33	final order of the commissioner affecting the application;
34	(3) any person against whom a civil penalty is imposed under
35	section 14(a) of this chapter, from the final order of the
36	commissioner imposing the civil penalty; or
37	(4) any person who is named as a respondent, from any final order
38	issued by the commissioner under section 10 or 11 of this chapter;
39	to the Marion circuit court or to the circuit or superior court of the
40	county where the person taking the appeal resides or maintains a place
41	of business.
42	(b) Not later than twenty (20) days after the entry of the order, the



commissioner shall be served with:

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- (1) a written notice of the appeal stating the court to which the appeal will be taken and the grounds upon which a reversal of the final order is sought;
- (2) a demand in writing from the appellant for a certified transcript of the record and of all papers on file in the commissioner's office affecting or relating to the order; and
- (3) a bond in the penal sum of five hundred dollars (\$500) to the state of Indiana with sufficient surety to be approved by the commissioner, conditioned upon the faithful prosecution of the appeal to final judgment and the payment of all costs that are adjudged against the appellant.
- (c) Not later than ten (10) days after the commissioner is served with the items listed in subsection (b), the commissioner shall make, certify, and deliver to the appellant the transcript, and the appellant shall, not later than five (5) days after the date the appellant receives the transcript, file the transcript and a copy of the notice of appeal with the clerk of the court. The notice of appeal serves as the appellant's complaint. The commissioner may appear and file any motion or pleading and form the issue. The cause shall be entered on the trial calendar for trial de novo and given precedence over all matters pending in the court.
- (d) The court shall receive and consider any pertinent oral or written evidence concerning the order of the commissioner from which the appeal is taken. If the order of the commissioner is reversed, the court shall in its mandate specifically direct the commissioner as to the commissioner's further action in the matter. The commissioner is not barred from revoking or altering the order for any proper cause that accrues or is discovered after the order is entered. If the order is affirmed, the appellant is not barred after thirty (30) days from the date the order is affirmed from filing a new application if the application is not otherwise barred or limited. During the pendency of the appeal, the order from which the appeal is taken is not suspended but remains in effect unless otherwise ordered by the court. An appeal may be taken from the judgment of the court on the same terms and conditions as an appeal is taken in civil actions.

SECTION 18. IC 23-2-5-23, AS ADDED BY P.L.230-2007, SECTION 18, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2010]: Sec. 23. Any document A loan broker agreement that is delivered or required to be delivered by a person licensed or required to be licensed under this chapter to a borrower or prospective borrower must contain:

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1	(1) the license number of the loan broker; and	
2	(2) the registration license number of each:	
3	(A) mortgage loan originator; or	
4	(B) principal manager;	
5	who had contact with the file.	
6	SECTION 19. IC 23-19-4-11, AS ADDED BY P.L.27-2007,	
7	SECTION 23, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE	
8	JULY 1, 2009]: Sec. 11. (a) Subject to Section 15(h) of the Securities	
9	Exchange Act of 1934 (15 U.S.C. 78o(h)) or Section 222 of the	
10	Investment Advisers Act of 1940 (15 U.S.C. 80b-18a), a rule adopted	4
11	or order issued under this article may establish minimum financial	
12	requirements for broker-dealers registered or required to be registered	•
13	under this article and investment advisers registered or required to be	
14	registered under this article.	
15	(b) Subject to Section 15(h) of the Securities Exchange Act of 1934	
16	(15 U.S.C. 780(h)) or Section 222(b) of the Investment Advisers Act	4
17	of 1940 (15 U.S.C. 80b-18a(b)), a broker-dealer registered or required	
18	to be registered under this article and an investment adviser registered	
19	or required to be registered under this article shall file such financial	
20	reports as are required by a rule adopted or order issued under this	
21	article. If the information contained in a record filed under this	
22	subsection is or becomes inaccurate or incomplete in a material	
23	respect, the registrant shall promptly file a correcting amendment.	
24	(c) Subject to Section 15(h) of the Securities Exchange Act of 1934	
25	(15 U.S.C. 78o(h)) or Section 222 of the Investment Advisers Act of	
26	1940 (15 U.S.C. 80b-18a):	
27	(1) a broker-dealer registered or required to be registered under	1
28	this article and an investment adviser registered or required to be	\
29	registered under this article shall make and maintain the accounts,	
30	correspondence, memoranda, papers, books, and other records	
31	required by rule adopted or order issued under this article;	
32	(2) broker-dealer records required to be maintained under	
33	subdivision (1) may be maintained in any form of data storage	
34	acceptable under Section 17(a) of the Securities Exchange Act of	
35	1934 (15 U.S.C. 78q(a)) if they are readily accessible to the	
36	commissioner; and	
37	(3) investment adviser records required to be maintained under	
38	subdivision (1) may be maintained in any form of data storage	
39	required by rule adopted or order issued under this article.	
40	(d) The records of a broker-dealer registered or required to be	
41	registered under this article and of an investment adviser registered or	

required to be registered under this article are subject to such



reasonable periodic, special, or other audits or inspections by a representative of the commissioner, within or outside this state, as the commissioner considers necessary or appropriate in the public interest and for the protection of investors. An audit or inspection may be made at any time and without prior notice. The commissioner may copy, and remove for audit or inspection copies of, all records the commissioner reasonably considers necessary or appropriate to conduct the audit or inspection. The commissioner may assess a reasonable charge for conducting an audit or inspection under this subsection.

(e) Subject to Section 15(h) of the Securities Exchange Act of 1934 (15 U.S.C. 780(h)) or Section 222 of the Investment Advisers Act of 1940 (15 U.S.C. 80b-18a), a rule adopted or order issued under this article may require a broker-dealer or investment adviser that has custody of or discretionary authority over funds or securities of a customer or client to obtain insurance or post a bond or other satisfactory form of security in an amount not to exceed fifty thousand dollars (\$50,000). The commissioner may determine the requirements of the insurance, bond, or other satisfactory form of security. Insurance or a bond or other satisfactory form of security may not be required of a broker-dealer registered under this article whose net capital exceeds, or of an investment adviser registered under this article whose minimum financial requirements exceed, the amounts required by rule or order under this article. The insurance, bond, or other satisfactory form of security must permit an action by a person to enforce any liability on the insurance, bond, or other satisfactory form of security if instituted within the time limitations in IC 23-19-5-9(g).

(f) Subject to Section 15(h) of the Securities Exchange Act of 1934 (15 U.S.C. 780(h)) or Section 222 of the Investment Advisers Act of 1940 (15 U.S.C. 80b-18a), an agent may not have custody of funds or securities of a customer except under the supervision of a broker-dealer and an investment adviser representative may not have custody of funds or securities of a client except under the supervision of an investment adviser or a federal covered investment adviser. A rule adopted or order issued under this article may prohibit, limit, or impose conditions on a broker-dealer regarding custody of funds or securities of a customer and on an investment adviser regarding custody of securities or funds of a client.

(g) With respect to an investment adviser registered or required to be registered under this article, a rule adopted or order issued under this article may require that information or other records be furnished or disseminated to clients or prospective clients in this state as necessary or appropriate in the public interest and for the protection of C









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- (h) A rule adopted or order issued under this article may require an individual registered under section 2 or 4 of this chapter to participate in a continuing education program approved by the Securities and Exchange Commission and administered by a self-regulatory organization or, in the absence of such a program, a rule adopted or order issued under this article may require continuing education for an individual registered under section 4 of this chapter.
- (i) The commissioner may annually select as many as twenty-five percent (25%) of all Indiana home and branch offices of registered broker-dealers for completion of compliance reports. Each broker-dealer office that is selected shall file its compliance report according to rules adopted by the commissioner under this article not more later than ninety (90) forty-five (45) days after being notified of selection under this subsection. No charges or other examination fees may be assessed against a registered broker-dealer as a result of the examination of a compliance report filed under this subsection unless the examination results in an investigation or examination made under IC 23-19-6-2(a).

SECTION 20. IC 23-19-5-8, AS ADDED BY P.L.27-2007, SECTION 23, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2009]: Sec. 8. (a) A person who knowingly violates this article, or a rule adopted under this article, except section 4 of this chapter or the notice filing requirements of IC 23-19-3-2 or IC 23-19-4-5, commits a Class C felony.

- (b) A person who knowingly violates section 1 of this chapter commits a Class B felony if the person harmed, defrauded, misled, or deceived by the violation is at least sixty (60) years of age.
  - (c) A person who knowingly violates section 1 of this chapter:
    - (1) while using or taking advantage of; or
    - (2) in connection with;

## a relationship that is based on religious affiliation or worship commits a Class B felony.

- (b) (d) It is the duty of a prosecuting attorney, as well as of the attorney general, to assist the commissioner upon the commissioner's request in the prosecution to final judgment of a violation of the penal provisions of this article. If the commissioner determines that an action based on the securities division's investigations is meritorious:
  - (1) the commissioner or a designee empowered by the commissioner shall refer the facts drawn from the investigation to the prosecuting attorney of the judicial circuit in which the crime may have been committed;











1	(2) the commissioner and the securities division shall assist the
2	prosecuting attorney in prosecuting an action under this section,
3	which may include a securities division attorney serving as a
4	special deputy prosecutor appointed by the prosecuting attorney;
5	(3) a prosecuting attorney to whom facts concerning fraud are
6	referred under subdivision (1) may refer the matter to the attorney
7	general;
8	(4) if a matter has been referred to the attorney general under
9	subdivision (3), the attorney general may:
10	(A) file an information in a court with jurisdiction over the
11	matter in the county in which the offense is alleged to have
12	been committed; and
13	(B) prosecute the alleged offense; and
14	(5) if a matter has been referred to the attorney general under
15	subdivision (3), the commissioner and the securities division shall
16	assist the attorney general in prosecuting an action under this
17	section, which may include a securities division attorney serving
18	as a special deputy attorney general appointed by the attorney
19	general.
20	(e) This article does not limit the power of this state to punish a
21	person for conduct that constitutes a crime under other laws of this
22	state.
23	SECTION 21. IC 24-4.2 IS ADDED TO THE INDIANA CODE AS
24	A <b>NEW</b> ARTICLE TO READ AS FOLLOWS [EFFECTIVE
25	JANUARY 1, 2011]:
26	ARTICLE 4.2. RESIDENTIAL MORTGAGE LOAN
27	BROKERS
28	Chapter 1. Definitions
29	Sec. 1. The definitions in this chapter apply throughout this
30	article.
31	Sec. 2. "Bona fide third party fee", with respect to a residential
32	mortgage loan, includes any of the following:
33	(1) Fees for real estate appraisals. However, if the residential
34	mortgage loan is governed by Title XI of the Financial
35	Institutions Reform, Recovery, and Enforcement Act (12
36	U.S.C. 3331 through 3352), the fee for an appraisal performed
37	in connection with the loan is not a bona fide third party fee
38	unless the appraisal is performed by a person that is licensed
39	or certified under IC 25-34.1-3-8.
40	(2) Fees for title examination, abstract of title, title insurance,
41	property surveys, or similar purposes.
42	(3) Notary and credit report fees.



1	(4) Fees for the services provided by a loan broker in	
2	procuring possible business for a creditor if the fees are paid	
3	by the creditor.	
4	Sec. 3. "Branch office" means any fixed physical location from	
5	which a loan broker licensee holds itself out as engaging in the loan	
6	brokerage business.	
7	Sec. 4. "Department" refers to the department of financial	
8	institutions.	
9	Sec. 5. "Depository institution" has the meaning set forth in the	
10	Federal Deposit Insurance Act (12 U.S.C. 1813(c)) and includes any	1
11	credit union.	
12	Sec. 6. "Licensee" means a person that is issued a license under	`
13	this article.	
14	Sec. 7. (a) "Loan broker" means any person who, in return for	
15	any consideration from any source procures, attempts to procure,	
16	or assists in procuring, a residential mortgage loan from a third	4
17	party or any other person, whether or not the person seeking the	
18	loan actually obtains the loan.	
19	(b) The term does not include:	
20	(1) any supervised financial organization (as defined in	
21	IC 24-4.5-1-301(20)), including a bank, savings bank, trust	
22	company, savings association, or credit union;	
23	(2) any other financial institution that is:	
24	(A) regulated by any agency of the United States or any	
25	state; and	
26	(B) regularly actively engaged in the business of making	
27	consumer loans that are not secured by real estate or	
28	taking assignment of consumer sales contracts that are not	,
29	secured by real estate;	
30	(3) any insurance company;	
31	(4) any person arranging financing for the sale of the person's	
32	product; or	
33	(5) a creditor that is licensed under IC 24-4.4-2-402.	
34	Sec. 8. "Loan broker license" means a license issued by the	
35	department authorizing a person to engage in the loan brokerage	
36	business.	
37	Sec. 9. "Loan brokerage business" means a person acting as a	
38	loan broker.	
39	Sec. 10. "Loan processor or underwriter" means an individual	
40	who:	
41	(1) is employed by a loan broker licensee and acts at the	

direction of, and subject to the supervision of, the loan broker



1	licensee or a licensed principal manager employed by the loan
2	broker licensee; and
3	(2) performs solely clerical or support duties on behalf of the
4	loan broker licensee, including any of the following activities
5	with respect to a residential mortgage loan application
6	received by the loan broker licensee:
7	(A) The receipt, collection, distribution, and analysis of
8	information commonly used in the processing or
9	underwriting of a residential mortgage loan.
0	(B) Communicating with a borrower or potential borrower
.1	to obtain the information necessary for the processing or
2	underwriting of a residential mortgage loan, to the extent
3	that the communication does not include:
4	(i) offering or negotiating loan rates or terms; or
.5	(ii) counseling borrowers or potential borrowers about
6	residential mortgage loan rates or terms.
7	Sec. 11. "Mortgage loan origination activities" means
.8	performing any of the following activities for compensation or gain
9	in connection with a residential mortgage loan:
20	(1) Receiving or recording a borrower's or potential
21	borrower's residential mortgage loan application information
22	in any form for use in a credit decision by a creditor.
23	(2) Offering to negotiate or negotiating terms of a residential
24	mortgage loan.
25	Sec. 12. (a) "Mortgage loan originator" means an individual
26	engaged in mortgage loan origination activities.
27	(b) The term does not include a person who:
28	(1) performs purely administrative or clerical tasks on behalf
29	of a mortgage loan originator or acts as a loan processor or
30	underwriter;
31	(2) performs only real estate brokerage activities and is
32	licensed in accordance with IC 25-34.1 or the applicable laws
33	of another state, unless the person is compensated by a
54 	creditor, a loan broker, a mortgage loan originator, or any
55	agent of a creditor, a loan broker, or a mortgage loan
66	originator; or
57	(3) is involved only in extensions of credit relating to time
8	share plans (as defined in 11 U.S.C. 101(53D)).
19	Sec. 13. "Mortgage loan originator license" means a license
10	issued by the department authorizing an individual to act as a
1	mortgage loan originator on behalf of a loan broker licensee.
12	Sec. 14. "Person" means an individual, a partnership, a trust, a



1	corporation, a limited liability company, a limited liability	
2	partnership, a sole proprietorship, a joint venture, a joint stock	
3	company, or another group or entity, however organized.	
4	Sec. 15. "Principal manager" means an individual who:	
5	(1) has at least three (3) years of experience:	
6	(A) as a mortgage loan originator; or	
7	(B) in financial services;	
8	that is acceptable to the department; and	
9	(2) is principally responsible for the supervision and	
0	management of the employees and business affairs of a loan	
.1	broker licensee.	
2	Sec. 16. "Principal manager license" means a license issued by	
.3	the department authorizing an individual to act as:	
4	(1) a principal manager; or	
.5	(2) a mortgage loan originator;	
6	on behalf of a loan broker licensee.	
7	Sec. 17. "Real estate brokerage activity" means any activity that	U
8	involves offering or providing real estate brokerage services to the	
9	public, including any of the following:	
20	(1) Acting as a real estate broker or salesperson for a buyer,	
21	seller, lessor, or lessee of real property.	
22	(2) Bringing together parties interested in the sale, lease, or	
23	exchange of real property.	
24	(3) Negotiating, on behalf of any party, any part of a contract	
25	concerning the sale, lease, or exchange of real property, other	
26	than in connection with obtaining or providing financing for	
27	the transaction.	
28	(4) Engaging in any activity for which the person performing	V
29	the activity is required to be licensed under IC 25-34.1 or the	
80	applicable laws of another state.	
31	(5) Offering to engage in any activity, or to act in any capacity	
32	with respect to any activity, described in subdivisions (1)	
33	through (4).	
4	Sec. 18. "Registered mortgage loan originator" means a	
35	mortgage loan originator who:	
66	(1) is an employee of:	
57	(A) a depository institution;	
8	(B) a subsidiary that is:	
19	(i) owned and controlled by a depository institution; and	
10	(ii) regulated by a federal financial institution regulatory	
1	agency (as defined in 12 U.S.C. 3350(6)); or	
-2	(C) an institution regulated by the Farm Credit	



1	Administration; and	
2	(2) is registered with and maintains a unique identifier with	
3	the Mortgage Licensing System and Registry.	
4	Sec. 19. "Residential mortgage loan" means a loan that is	
5	secured by a mortgage, deed of trust, or other consensual security	
6	interest on real estate in Indiana on which there is located or	
7	intended to be constructed a dwelling (as defined in the federal	
8	Truth in Lending Act (15 U.S.C. 1602(v)) that is or will be used	
9	primarily for personal, family, or household purposes.	_
10	Sec. 20. "State licensed mortgage loan originator" means any	
11	individual who:	
12	(1) is a mortgage loan originator;	
13	(2) is not an employee of:	
14	(A) a depository institution;	
15	(B) a subsidiary that is:	
16	(i) owned and controlled by a depository institution; and	
17	(ii) regulated by a federal financial institution regulatory	
18	agency (as defined in 12 U.S.C. 3350(6)); or	
19	(C) an institution regulated by the Farm Credit	
20	Administration; and	
21	(3) is licensed by a state or by the Secretary of the United	
22	States Department of Housing and Urban Development under	
23	Section 1508 of the S.A.F.E. Mortgage Licensing Act of 2008	
24	(Title V of P.L.110-289); and	
25	(4) is registered as a mortgage loan originator with, and	
26	maintains a unique identifier through, the Nationwide	
27	Mortgage Licensing System and Registry.	
28	Sec. 21. "Ultimate equitable owner" means a person who,	V
29	directly or indirectly, owns or controls ten percent (10%) or more	
30	of the equity interest in a loan broker licensed or required to be	
31	licensed under this article, regardless of whether the person owns	
32	or controls the equity interest through one (1) or more other	
33	persons or one (1) or more proxies, powers of attorney, or	
34	variances.	
35	Sec. 22. "Unique identifier" means a number or other identifier	
36	that:	
37	· · · · · · · · · · · · · · · · · · ·	
38	(2) is assigned by protocols established by the Nationwide	
39		
40	financial institution regulatory agencies to facilitate:	
41	(A) the electronic tracking of mortgage loan originators;	
42	and	



1	(B) the uniform identification of, and public access to, the
2	employment history of and the publicly adjudicated
3	disciplinary and enforcement actions against mortgage
4	loan originators.
5	Chapter 2. Licensing
6	Sec. 1. (a) A person may not engage in the loan brokerage
7	business in Indiana unless the person first obtains a loan broker
8	license from the department. Any person desiring to engage in the
9	loan brokerage business shall apply to the department for a loan
10	broker license under this article.
11	(b) An individual may not act as a mortgage loan originator in
12	Indiana on behalf of a person licensed or required to be licensed as
13	a loan broker under this article unless the individual first obtains
14	a mortgage loan originator license from the department. An
15	individual desiring to act as a mortgage loan originator on behalf
16	of a person licensed or required to be licensed as a loan broker
17	under this article shall apply to the department for a mortgage
18	loan originator license under this article.
19	(c) An individual may not act as a principal manager on behalf
20	of a person licensed or required to be licensed as a loan broker
21	under this article unless the individual first obtains a principal
22	manager license from the department. Any individual desiring to
23	act as a principal manager on behalf of a person licensed or
24	required to be licensed as a loan broker under this article shall
25	apply to the department for a principal manager license under this
26	article.
27	(d) The department may request evidence of compliance with
28	this section at any of the following times:
29	(1) The time of application for an initial license.
30	(2) The time of renewal of a license.
31	(3) Any other time considered necessary by the department.
32	(e) For purposes of subsection (d), evidence of compliance with
33	this section must include a criminal background check, including
34	a national criminal history background check (as defined in
35	IC 10-13-3-12) by the Federal Bureau of Investigation.
36	Sec. 2. (a) An application for a loan broker license or renewal of
37	a loan broker license must contain:
38	(1) consent to service of process under subsection (g);
39	(2) evidence of the bond required in subsection (d);
40	(3) an application fee of two hundred dollars (\$200), plus one
41	hundred dollars (\$100) for each ultimate equitable owner;

(4) an affidavit affirming that none of the applicant's ultimate



1	equitable owners, directors, managers, or officers have been	
2	convicted, in any jurisdiction, of:	
3	(A) any felony within the previous seven (7) years; or	
4	(B) an offense involving fraud or deception that is	
5	punishable by at least one (1) year of imprisonment;	
6	unless such an affidavit is waived by the department under	
7	subsection (h);	
8	(5) evidence that the applicant, if the applicant is an	
9	individual, has completed the education requirements under	
10	section 4 of this chapter;	
11	(6) the name and license number for each mortgage loan	
12	originator to be employed by the licensee;	
13	(7) the name and license number for each principal manager;	
14	and	
15	(8) for each ultimate equitable owner, the following	
16	information:	
17	(A) The name of the ultimate equitable owner.	
18	(B) The address of the ultimate equitable owner, including	
19	the home address of the ultimate equitable owner if the	
20	ultimate equitable owner is an individual.	
21	(C) The telephone number of the ultimate equitable owner,	
22	including the home telephone number if the ultimate	
23	equitable owner is an individual.	
24	(D) The ultimate equitable owner's Social Security number	_
25	and date of birth, if the ultimate equitable owner is an	
26	individual.	
27	(b) An application for licensure as a mortgage loan originator	
28	shall be made on a form prescribed by the department. The	V
29	application must include the following information for the	
30	individual that seeks to be licensed as a mortgage loan originator:	
31	(1) The name of the individual.	
32	(2) The home address of the individual.	
33	(3) The home telephone number of the individual.	
34	(4) The individual's Social Security number and date of birth.	
35 36	<ul><li>(5) The name of the:</li><li>(A) loan broker licensee; or</li></ul>	
37	(B) applicant for loan broker licensure;	
	· / • •	
38 39	for whom the individual seeks to be employed as a mortgage	
59 40	loan originator.	
+0 41	<ul><li>(6) Consent to service of process under subsection (g).</li><li>(7) Evidence that the individual has completed the education</li></ul>	
+1 42	requirements described in section 4 of this chanter.	
<b>+</b> /.	reading menta described in section 4 of this chapter	



1	(8) An application fee of fifty dollars (\$50).	
2	(9) All:	
3	(A) license numbers previously issued to the individual	
4	under IC 23-2-5 (before its repeal on January 1, 2011), if	
5	applicable; and	
6	(B) license numbers previously issued to the individual	
7	under this article, if applicable.	
8	(c) An application for licensure as a principal manager shall be	
9	made on a form prescribed by the department. The application	
10	must include the following information for the individual who	
11	seeks to be licensed as a principal manager:	
12	(1) The name of the individual.	
13	(2) The home address of the individual.	
14	(3) The home telephone number of the individual.	
15	(4) The individual's Social Security number and date of birth.	
16	(5) The name of the:	
17	(A) loan broker licensee; or	
18	(B) applicant for loan broker licensure;	
19	for whom the individual seeks to be employed as a principal	
20	manager.	
21	(6) Consent to service of process under subsection (g).	
22	(7) Evidence that the individual has completed the education	
23	requirements described in section 4 of this chapter.	
24	(8) Evidence that the individual has at least three (3) years of	-
25	experience in the:	
26	(A) loan brokerage; or	
27	(B) financial services;	
28	business.	V
29	(9) An application fee of one hundred dollars (\$100).	J
30	(10) All:	
31	(A) license numbers previously issued to the individual	
32	under IC 23-2-5 (before its repeal on January 1, 2011), if	
33	applicable; and	
34	(B) license numbers previously issued to the individual	
35	under this article, if applicable.	
36	(d) A loan broker licensee must maintain a bond satisfactory to	
37	the department, which must cover the activities of each licensed	
38	mortgage loan originator and licensed principal manager	
39	employed by the loan broker licensee. The bond must be in one (1)	
40	of the following amounts, depending on the total amount of	
41	residential mortgage loans originated by the loan broker in the	
12	nravious calandar vaar	



1	(1) Fifty thousand dollars (\$50,000) if the total amount of
2	residential mortgage loans originated by the loan broker in
3	the previous calendar year was not greater than one million
4	five hundred thousand dollars (\$1,500,000).
5	(2) Seventy thousand dollars (\$70,000) if the total amount of
6	residential mortgage loans originated by the loan broker in
7	the previous calendar year was greater than one million five
8	hundred thousand dollars (\$1,500,000) but not greater than
9	five million dollars (\$5,000,000).
10	(3) Ninety-five thousand dollars (\$95,000) if the total amount
11	of residential mortgage loans originated by the loan broker in
12	the previous calendar year was greater than five million
13	dollars (\$5,000,000).
14	The bond shall be in favor of the state and shall secure payment of
15	damages to any person aggrieved by any violation of this article by
16	the licensee or any licensed mortgage loan originator or licensed
17	principal manager employed by the licensee.
18	(e) The department shall issue a license and license number to
19	an applicant for a loan broker license, a mortgage loan originator
20	license, or a principal manager license if the applicant meets the
21	applicable licensure requirements set forth in this article.
22	(f) Licenses issued by the department under this article expire
23	on December 31 of the year in which they are issued.
24	(g) Every applicant for licensure or for renewal of a license shall
25	file with the department, in such form as the department by rule or
26	order prescribes, an irrevocable consent appointing the
27	department to be the applicant's agent to receive service of any
28	lawful process in any noncriminal suit, action, or proceeding
29	against the applicant arising from the violation of any provision of
30	this article. Service shall be made in accordance with the Indiana
31	Rules of Trial Procedure.
32	(h) Upon good cause shown, the department may waive the
33	requirements of subsection (a)(4) for one (1) or more of an
34	applicant's ultimate equitable owners, directors, managers, or
35	officers.
36	(i) Whenever an initial or a renewal application for a license is
37	denied or withdrawn, the department shall retain the initial or
38	renewal application fee paid.
39	(j) At the time of application for an initial license under this
40	article, the department shall require each:
41	(1) equitable owner, in the case of an applicant for a loan



broker license;

1	(2) individual described in subsection (a)(4), in the case of an
2	applicant for a loan broker license; and
3	(3) applicant for licensure as:
4	(A) a mortgage loan originator; or
5	(B) a principal manager;
6	to submit fingerprints for a national criminal history background
7	check (as defined in IC 10-13-3-12) by the Federal Bureau of
8	Investigation, for use by the department in determining whether
9	the equitable owner, the individual described in subsection (a)(4),
0	or the applicant should be denied licensure under this article for
1	any reason set forth in IC 24-4.2-3-4. The equitable owner,
2	individual described in subsection (a)(4), or applicant shall pay any
3	fees or costs associated with the fingerprints and background check
4	required under this subsection. The department may not release
5	the results of a background check described in this subsection to
6	any private entity.
7	(k) Every three (3) years, beginning with the third calendar year
8	following the calendar year in which an initial license is issued
9	under this article, the department shall require each:
20	(1) equitable owner, in the case of a loan broker licensee;
21	(2) individual described in subsection (a)(4), in the case of a
22	loan broker licensee; and
23	(3) licensed:
24	(A) mortgage loan originator; or
25	(B) principal manager;
26	to submit fingerprints for a national criminal history background
27	check (as defined in IC 10-13-3-12) by the Federal Bureau of
28	Investigation, for use by the department in determining whether
29	the equitable owner, the individual described in subsection (a)(4),
0	or the licensee should be denied continued licensure under this
31	article for any reason set forth in IC 24-4.2-3-4. The equitable
32	owner, individual described in subsection (a)(4), or licensee shall
33	pay any fees or costs associated with the fingerprints and
34	background check required under this subsection. The department
55	may not release the results of a background check described in this
66	subsection to any private entity.
37	(I) The department shall require each applicant for licensure as:
8	(1) a mortgage loan originator; or
9	(2) a principal manager;
10	to submit written authorization for the department or an agent of
1	the department to obtain a consumer report (as defined in



IC 24-5-24-2) concerning the applicant.

1	(m) In reviewing a consumer report obtained under subsection
2	(l), the department may consider one (1) or more of the following
3	in determining whether an individual described in subsection (1)
4	has demonstrated financial responsibility:
5	(1) Bankruptcies filed by the individual within the most recent
6	ten (10) years.
7	(2) Current outstanding civil judgments against the
8	individual, except judgments resulting solely from medical
9	expenses owed by the individual.
10	(3) Current outstanding tax liens or other government liens or
11	filings.
12	(4) Foreclosure actions filed within the most recent three (3)
13	years against property owned by the individual.
14	(5) Any pattern of seriously delinquent accounts associated
15	with the individual during the most recent three (3) years.
16	Sec. 3. (a) The department shall require an applicant for
17	licensure as:
18	(1) a mortgage loan originator under section 2(b) of this
19	chapter; or
20	(2) a principal manager under section 2(c) of this chapter;
21	to pass a written examination prepared and administered by the
22	department or an agent appointed by the department and
23	approved by the Nationwide Mortgage Licensing System and
24	Registry.
25	(b) The written examination required by this section must
26	measure the applicant's knowledge and comprehension in
27	appropriate subject areas, including the following:
28	(1) Ethics.
29	(2) Federal laws and regulations concerning the origination of
30	residential mortgage loans.
31	(3) State laws and rules concerning the origination of
32	residential mortgage loans.
33	(c) An individual who answers at least seventy-five percent
34	(75%) of the questions on the written examination correctly is
35	considered to have passed the examination.
36	(d) An individual who does not pass the written examination
37	may retake the examination up to two (2) additional times, with
38	each subsequent attempt occurring at least thirty (30) days after
39	the individual last sat for the examination. If an individual fails
40	three (3) consecutive examinations, the individual must wait to

retake the examination until at least six (6) months after the



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individual sat for the third examination.

1	(e) Except as provided in subsection (f), if an individual who has	
2	been issued a mortgage loan originator license or a principal	
3	manager license under this article:	
4	(1) allows the individual's license to lapse; or	
5	(2) otherwise does not maintain a valid license under this	
6	article;	
7	for a period of at least five (5) years, the individual must retake the	
8	written examination required by this section.	
9	(f) This subsection applies to an individual who was licensed as	
0	a mortgage loan originator or a principal manager under IC 23-2-5	1
1	(before its repeal on January 1, 2011). An individual to whom this	
2	subsection applies is not required to take the written examination	
3	required by this section except as follows:	
4	(1) If the individual's license issued under IC 23-2-5 (before its	
5	repeal on January 1, 2011) was valid and in effect on	
6	December 31, 2010, the individual is considered licensed	
7	under this article as of January 1, 2011. After December 31,	
8	2010, an individual described in this subdivision is not	
9	required to take the written examination required by this	
20	section unless the individual:	
21	(A) allows the individual's license to lapse; or	
22	(B) otherwise does not maintain a valid license;	
23	for a period of at least five (5) years, beginning at any time	
24	after December 31, 2010.	
25	(2) If the individual's license issued under IC 23-2-5 (before its	
26	repeal on January 1, 2011) was not valid and in effect on	
27	December 31, 2010, the individual is not considered licensed	
28	under this article as of January 1, 2011. After December 31,	
29	2010, an individual described in this subdivision who seeks to	
0	act as a mortgage loan originator or a principal manager in	•
31	Indiana must:	
32	(A) apply to the department for licensure under section	
3	2(b) or 2(c) of this chapter, whichever applies; and	
34	(B) take the written examination required by this section.	
35	Sec. 4. (a) A person applying for an initial license must provide	
66	to the department evidence that during the twenty-four (24) month	
37	period immediately preceding the application that the person	
8	completed at least twenty (20) hours of academic instruction,	
9	acceptable to the department and approved by the Nationwide	
10	Mortgage Licensing System and Registry. The education hours	
1	required under this subsection must include the following:	
12	(1) Three (3) hours of federal law and regulations concerning	
	· / · · · / / · · · · · · · · · · · · ·	



1	residential mortgage lending.
2	(2) Three (3) hours of ethics, including instruction on fraud,
3	consumer protection, and fair lending practices.
4	(3) Two (2) hours of training concerning lending standards for
5	nontraditional residential mortgage loan products.
6	(4) Two (2) hours of state law and rules concerning residential
7	mortgage lending.
8	(b) To maintain a license under this article, a person must
9	provide to the department evidence that the person has completed
10	at least eight (8) hours of academic instruction that is acceptable to
11	the department, and approved by the Nationwide Mortgage
12	Licensing System and Registry, during each calendar year after the
13	year in which the license was initially issued. The education hours
14	required under this subsection must include the following:
15	(1) Three (3) hours of federal law and regulations concerning
16	residential mortgage lending.
17	(2) Two (2) hours of ethics, including instruction on fraud,
18	consumer protection, and fair lending practices.
19	(3) Two (2) hours of training concerning lending standards for
20	nontraditional residential mortgage loan products.
21	(c) In determining the acceptability of academic instruction the
22	department shall give consideration to approval of a licensee's
23	internal academic instruction programs completed by employees.
24	(d) In determining the acceptability of an education course, the
25	department may require a fee, in an amount prescribed by the
26	department by rule or order, for the department's review of the
27	course.
28	Sec. 5. A loan broker licensee may not continue engaging in the
29	loan brokerage business unless the licensee's license is renewed
30	annually. A mortgage loan originator licensee or a principal
31	manager licensee may not continue acting as:
32	(1) a mortgage loan originator; or
33	(2) a principal manager;
34	unless the licensee's license is renewed annually. A licensee under
35	this article shall renew its license by filing with the department, at
36	least thirty (30) days before the expiration of the license, an
37	application containing any information the department may
38	require to indicate any material change from the information
39	contained in the applicant's original application or any previous
40	application.

Chapter 3. Administration, Compliance, and Enforcement Sec. 1. (a) After December 31, 2010, the money in the loan



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1	broker regulation account established by IC 23-2-5-7 (before its
2	repeal on January 1, 2011) may be used only for the regulation of
3	loan brokers, mortgage loan originators, and principal managers
4	under this article. The loan broker regulation account shall be
5	administered by the treasurer of state. The money in the loan
6	broker regulation account does not revert to any other account
7	within the state general fund at the end of a state fiscal year.
8	(b) All fees and funds accruing from the administration of this
9	article shall be accounted for by the department and shall be
10	deposited with the treasurer of state who shall deposit them in the
11	loan broker regulation account in the state general fund.
12	(c) All expenses incurred in the administration of this article
13	shall be paid from:
14	(1) appropriations made from the state general fund; and
15	(2) additional funds available, with the approval of the budget
16	agency, from the loan broker regulation account.
17	Sec. 2. (a) To be enforceable, every contract for the services of
18	a loan broker shall be in writing and signed by the contracting
19	parties.
20	(b) At the time a contract for the services of a loan broker is
21	signed, the loan broker shall provide a copy of the signed contract
22	to each of the other parties to the contract.
23	(c) Every contract for the services of a loan broker must include
24	the following statement:
25	"No statement or representation by a loan broker is valid or
26	enforceable unless the statement or representation is in writing.".
27	(d) This section does not apply to a contract that provides for
28	the payment of referral fees by a lender or a third party.
29	Sec. 3. (a) As used in this section, "appraisal company" means
30	a business entity that:
31	(1) performs real estate appraisals on a regular basis for
32	compensation through one (1) or more owners, officers,
33	employees, or agents; or
34	(2) holds itself out to the public as performing real estate
35	appraisals.
36	(b) As used in this section, "immediate family", with respect to
37	an individual, refers to:
38	(1) the individual's spouse who resides in the individual's
39	household; and
40	(2) any dependent child of the individual.
41	(c) As used in this section, "real estate appraiser" means a



person who:

1	(1) is licensed as a real estate broker under IC 25-34.1 and
2	performs real estate appraisals within the scope of the
3	person's license;
4	(2) holds a real estate appraiser license or certificate issued
5	under IC 25-34.1-3-8; or
6	(3) otherwise performs real estate appraisals in Indiana.
7	(d) A person licensed under this article, or a person required to
8	be licensed under this article, shall not knowingly bribe, coerce, or
9	intimidate another person to corrupt or improperly influence the
10	independent judgment of a real estate appraiser with respect to the
11	value of any real estate offered as security for a residential
12	mortgage loan.
13	(e) Except as provided in subsection (f):
14	(1) a person licensed under this article, or a person required
15	to be licensed under this article;
16	(2) a member of the immediate family of:
17	(A) a person licensed under this article; or
18	(B) a person required to be licensed under this article; or
19	(3) a person described in subdivision (1) or (2) in combination
20	with one (1) or more other persons described in subdivision
21	(1) or (2);
22	may not own or control a majority interest in an appraisal
23	company.
24	(f) This subsection applies to a person or combination of persons
25	described in subsection (e) who own or control a majority interest
26	in an appraisal company on June 30, 2007. The prohibition set
27	forth in subsection (e) does not apply to a person or combination
28	of persons described in this subsection, subject to the following:
29	(1) The interest in the appraisal company owned or controlled
30	by the person or combination of persons described in
31	subsection (e) shall not be increased after June 30, 2007.
32	(2) The interest of a person licensed under this article, or of a
33	person required to be licensed under this article, shall not be
34	transferred to a member of the person's immediate family.
35	(3) If the department determines that any person or
36	combination of persons described in subsection (e) has
37	violated this article, the department may order one (1) or
38	more of the persons to divest their interest in the appraisal
39	company. The department may exercise the remedy provided
40	by this subdivision in addition to, or as a substitute for, any
41	other remedy available to the department under this article.

Sec. 4. (a) Whenever it appears to the department that a person



1	has engaged in or is about to engage in an act or a practice
2	constituting a violation of this article or a rule or an order under
3	this article, the department may investigate and may issue, with a
4	prior hearing if there exists no substantial threat of immediate
5	irreparable harm or without a prior hearing, if there exists a
6	substantial threat of immediate irreparable harm, orders and
7	notices as the department determines to be in the public interest,
8	including cease and desist orders, orders to show cause, and
9	notices. After notice and hearing, the department may enter an
10	order of rescission, restitution, or disgorgement, including interest
11	at the rate of eight percent (8%) per year, directed to a person who
12	has violated this article or a rule or order under this article.
13	(b) Upon the issuance of an order or notice without a prior
14	hearing by the department under subsection (a), the department
15	shall promptly notify the respondent and, if the subject of the order
16	or notice is a mortgage loan originator licensee or a principal
17	manager licensee, the loan broker licensee for whom the mortgage
18	loan originator or principal manager is employed:
19	(1) that the order or notice has been issued;
20	(2) of the reasons the order or notice has been issued; and
21	(3) that upon the receipt of a written request the matter will
22	be set for a hearing to commence not later than forty-five (45)
23	business days after receipt of the request unless the
24	respondent consents to a later date.
25	If a hearing is not requested and not ordered by the department,
26	an order remains in effect until it is modified or vacated by the
27	department. If a hearing is requested or ordered, the department,
28	after notice of an opportunity for hearing, may modify or vacate
29	the order or extend it until final determination.
30	(c) The department may deny an application for an initial or a
31	renewal license, and may suspend or revoke the license of a
32	licensee, if the applicant, the licensee, or an ultimate equitable
33	owner of an applicant for a loan broker license or of a loan broker
34	licensee:
35	(1) has, within the most recent ten (10) years:
36	(A) been the subject of an adjudication or a determination
37	by:
38	(i) a court with jurisdiction; or
39	(ii) an agency or administrator that regulates securities,
40	commodities, banking, financial services, insurance, real
41	estate, or the real estate appraisal industry;

in Indiana or in any other jurisdiction; and



1	(B) been found, after notice and opportunity for hearing,	
2	to have violated the securities, commodities, banking,	
3	financial services, insurance, real estate, or real estate	
4	appraisal laws of Indiana or any other jurisdiction;	
5	(2) except as provided in subsection (d)(1) with respect to the	
6	loan brokerage business, has:	
7	(A) been denied the right to do business in the securities,	
8	commodities, banking, financial services, insurance, real	
9	estate, or real estate appraisal industry; or	
10	(B) had the person's authority to do business in the	
11	securities, commodities, banking, financial services,	
12	insurance, real estate, or real estate appraisal industry	
13	revoked or suspended;	
14	by Indiana or by any other state, federal, or foreign	
15	governmental agency or self regulatory organization;	_
16	(3) is insolvent;	
17	(4) has violated any provision of this article;	
18	(5) has knowingly filed with the department any document or	
19	statement that:	
20	(A) contains a false representation of a material fact;	
21	(B) fails to state a material fact; or	
22	(C) contains a representation that becomes false after the	0
23	filing but during the term of a license as provided in	
24	subsection (j);	_
25	(6) has been convicted, within ten (10) years before the date of	
26	the application, renewal, or review, of any crime, other than	
27	a felony, involving fraud or deceit;	
28	(7) if the person is a loan broker licensee or a principal	V
29	manager, has failed to reasonably supervise the person's	
30	mortgage loan originators or employees to ensure their	
31	compliance with this article;	
32	(8) is on the most recent tax warrant list supplied to the	
33	department by the department of state revenue; or	
34	(9) has engaged in dishonest or unethical practices in the loan	
35	brokerage business, as determined by the department.	
36	(d) The department shall deny an application for an initial or a	
37	renewal license and shall suspend or revoke the license of a licensee	
38	if the applicant, the licensee, or an ultimate equitable owner of an	
39	applicant for a loan broker license or of a loan broker licensee:	
40 4.1	(1) has had a:	
41	(A) loan broker license issued under this article;	
12	(B) mortgage loan originator license issued under this	



1	article;	
2	(C) principal manager license issued under this article; or	
3	(D) license that is:	
4	(i) equivalent to a license described in clause (A), (B), or	
5	(C); and	
6	(ii) issued by another jurisdiction;	
7	revoked by the department or the appropriate regulatory	
8	agency in another jurisdiction, whichever applies;	
9	(2) has been convicted of or pleaded guilty or nolo contendere	
10	to a felony in a domestic, foreign, or military court:	
11	(A) during the seven (7) year period immediately preceding	
12	the date of the application or review; or	
13	(B) at any time preceding the date of the application or	
14	review if the felony involved an act of fraud or dishonesty,	
15	a breach of trust, or money laundering;	
16	(3) fails to maintain the bond required under IC 24-4.2-2-2(d);	
17	(4) fails to demonstrate the financial responsibility, character,	
18	and general fitness necessary to:	
19	(A) command the confidence of the community in which	
20	the applicant or licensee engages or will engage in the loan	
21	brokerage business; and	
22	(B) warrant a determination by the department that the	
23	applicant or licensee will operate honestly, fairly, and	
24	efficiently within the purposes of this article;	
25	(5) has failed to meet the education requirements set forth in	
26	IC 24-4.2-2-4;	
27	(6) has failed to pass the written examination required by	
28	IC 24-4.2-2-3; or	V
29	(7) fails to:	
30	(A) keep or maintain records in accordance with section 12	
31	of this chapter; or	
32	(B) allow the department or an agent appointed by the	
33	department to inspect or examine a loan broker licensee's	
34	books and records to determine compliance with section 12	
35	of this chapter.	
36	(e) The department may do either of the following:	
37	(1) Censure:	
38	(A) a licensee;	
39	(B) an officer, a director, or an ultimate equitable owner of	
40	a loan broker licensee; or	
41	(C) any other person;	
12	who violates or causes a violation of this article	



1	(2) Permanently bar any person described in subdivision (1)
2	from being:
3	(A) licensed under this article; or
4	(B) employed by or affiliated with a person licensed under
5	this article;
6	if the person violates or causes a violation of this article.
7	(f) The department may not enter a final order:
8	(1) denying, suspending, or revoking the license of an
9	applicant or a licensee; or
10	(2) imposing other sanctions;
11	without prior notice to all interested parties, opportunity for a
12	hearing, and written findings of fact and conclusions of law.
13	However, the department may by summary order deny, suspend,
14	or revoke a license pending final determination of any proceeding
15	under this section or before any proceeding is initiated under this
16	section. Upon the entry of a summary order, the department shall
17	promptly notify all interested parties that the summary order has
18	been entered, of the reasons for the summary order, and that upon
19	receipt by the department of a written request from a party, the
20	matter will be set for hearing to commence not later than forty-five
21	(45) business days after receipt of the request. If no hearing is
22	requested and none is ordered by the department, the order
23	remains in effect until it is modified or vacated by the department.
24	If a hearing is requested or ordered, the department, after notice
25	of the hearing has been given to all interested persons and the
26	hearing has been held, may modify or vacate the order or extend
27	it until final determination.
28	(g) IC 4-21.5 does not apply to a proceeding under this section.
29	(h) If a mortgage loan originator licensee or a principal
30	manager licensee seeks to transfer the licensee's license to another
31	loan broker licensee who desires to have the mortgage loan
32	originator licensee or principal manager licensee act as a mortgage
33	loan originator or as a principal manager, whichever applies, the
34	mortgage loan originator licensee or principal manager licensee
35	shall, before the mortgage loan originator licensee or principal
36	manager licensee acts as a mortgage loan originator or as a
37	principal manager for the new employer, submit to the
38	department, on a form prescribed by the department, a license
39	application, as required by IC 24-4.2-2-2.

(i) If the employment of a mortgage loan originator licensee or

(1) voluntarily by the mortgage loan originator licensee or

principal manager licensee is terminated, whether:



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1	principal manager licensee; or
2	(2) by the loan broker licensee employing the mortgage loan
3	originator licensee or principal manager licensee;
4	the loan broker licensee that employed the mortgage loan
5	originator licensee or principal manager licensee shall, not later
6	than five (5) days after the termination, notify the department of
7	the termination and the reasons for the termination.
8	(j) If a material fact or statement included in an application
9	under this article changes after the application has been submitted,
10	the applicant shall provide written notice to the department of the
11	change. The department may deny, revoke, or refuse to renew a
12	license applied for or held by any person who:
13	(1) is required to submit a written notice under this subsection
14	and fails to provide the required notice within two (2)
15	business days after the person discovers or should have
16	discovered the change; or
17	(2) would not qualify for licensure under this article as a
18	result of the change in a material fact or statement.
19	Sec. 5. (a) The department may do the following:
20	(1) Adopt rules under IC 4-22-2 to implement this article.
21	(2) Make investigations and examinations:
22	(A) in connection with any application for licensure under
23	this article or with any license already granted; or
24	(B) whenever it appears to the department, upon the basis
25	of a complaint or information, that reasonable grounds
26	exist for the belief that an investigation or examination is
27	necessary or advisable for the more complete protection of
28	the interests of the public.
29	(3) Charge as costs of investigation or examination all
30	reasonable expenses, including a per diem prorated upon the
31	salary of the employee performing the investigation or
32	examination and actual traveling and hotel expenses. All
33	reasonable expenses are to be paid by the party or parties
34	under investigation or examination if the party has violated
35	this article.
36	(4) Issue notices and orders, including cease and desist notices
37	and orders, after making an investigation or examination
38	under subdivision (2). The department may also bring an
39	action on behalf of the state to enjoin a person from violating
40	this article. The department shall notify the person that an
41	order or notice has been issued, the reasons for the order or
42	notice, and that a hearing will be set not later than forty-five



1	(45) days after the department receives a written request from	
2	the person requesting a hearing.	
3	(5) Sign all orders, official certifications, documents, or	
4	papers issued under this article or delegate the authority to	
5	sign any of those items to a deputy.	
6	(6) Hold and conduct hearings.	
7	(7) Hear evidence.	
8	(8) Conduct inquiries with or without hearings.	
9	(9) Receive reports of investigators or other officers or	
10	employees of the state of Indiana or of any municipal	1
11	corporation or governmental subdivision within the state.	
12	(10) Administer oaths, or cause them to be administered.	
13	(11) Subpoena witnesses, and compel them to attend and	
14	testify.	
15	(12) Compel the production of books, records, and other	
16	documents.	4
17	(13) Order depositions to be taken of any witness residing	
18	within or without the state. The depositions shall be taken in	
19	the manner prescribed by law for depositions in civil actions	
20	and made returnable to the department.	
21	(14) Order that each witness appearing under the	
22	department's order to testify before the department shall	
23	receive the fees and mileage allowances provided for witnesses	
24	in civil cases.	
25	(15) Provide interpretive opinions or issue determinations	
26	that the department will not institute a proceeding or an	
27	action under this article against a specified person for	1
28	engaging in a specified act, practice, or course of business if	
29	the determination is consistent with this article. The	1
30	department may adopt rules to establish fees for individuals	
31	requesting an interpretive opinion or a determination under	
32	this subdivision. A person may not request an interpretive	
33	opinion or a determination concerning an activity that:	
34	(A) occurred before; or	
35	(B) is occurring on;	
36	the date the opinion or determination is requested.	
37	(16) Subject to subsection (f), designate a multistate	
38	automated licensing system and repository, established and	
39	operated by a third party, to serve as the sole entity	
40	responsible for:	
41	(A) processing applications for:	
42	(i) licenses under this article; and	



1	(ii) renewals of licenses under this article; and	
2	(B) performing other services that the department	
3	determines are necessary for the orderly administration of	
4	the division's licensing system.	
5	A multistate automated licensing system and repository	
6	described in this subdivision may include the Nationwide	
7	Mortgage Licensing System and Registry established by the	
8	Conference of State Bank Supervisors and the American	
9	Association of Residential Mortgage Regulators. The	
10	department may take any action necessary to allow the	
11	department to participate in a multistate automated licensing	
12	system and repository.	
13	(b) If a witness, in any hearing, inquiry, or investigation	
14	conducted under this article, refuses to answer any question or	
15	produce any item, the department may file a written petition with	
16	the circuit or superior court in the county where the hearing,	
17	investigation, or inquiry in question is being conducted requesting	
18	a hearing on the refusal. The court shall hold a hearing to	
19	determine if the witness may refuse to answer the question or	
20	produce the item. If the court determines that the witness, based	
21	upon the witness's privilege against self-incrimination, may	
22	properly refuse to answer or produce an item, the department may	
23	make a written request that the court grant use immunity to the	
24	witness. Upon written request of the department, the court shall	
25	grant use immunity to a witness. The court shall instruct the	
26	witness, by written order or in open court, that:	
27	(1) any evidence the witness gives, or evidence derived from	•
28	that evidence, may not be used in any criminal proceedings	
29	against that witness, unless the evidence is volunteered by the	1
30	witness or is not responsive to a question; and	
31	(2) the witness must answer the questions asked and produce	
32	the items requested.	
33	A grant of use immunity does not prohibit evidence that the	
34	witness gives in a hearing, investigation, or inquiry from being	
35	used in a prosecution for perjury under IC 35-44-2-1. If a witness	
36	refuses to give the evidence after the witness has been granted use	
37	immunity, the court may find the witness in contempt.	
38	(c) In any prosecution, action, suit, or proceeding based upon or	
39	arising out of this article, the department may sign a certificate	
40	showing compliance or noncompliance with this article by any	

person. This certificate shall constitute prima facie evidence of

compliance or noncompliance with this article and shall be



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1	admissible in evidence in any action at law or in equity to enforce	
2	this article.	
3	(d) If:	
4	(1) a person disobeys any lawful:	
5	(A) subpoena issued under this article; or	
6	(B) order or demand requiring the production of any	
7	books, accounts, papers, records, documents, or other	
8	evidence or information as provided in this article; or	
9	(2) a witness refuses to:	
10	(A) appear when subpoenaed;	
11	(B) testify to any matter about which the witness may be	
12	lawfully interrogated; or	
13	(C) take or subscribe to any oath required by this article;	
14	the circuit or superior court of the county in which the hearing,	
15	inquiry, or investigation in question is held, if demand is made or	
16	if, upon written petition, the production is ordered to be made, or	
17	the department or a hearing officer appointed by the department,	
18	shall compel compliance with the lawful requirements of the	
19	subpoena, order, or demand, compel the production of the	
20	necessary or required books, papers, records, documents, and	
21	other evidence and information, and compel any witness to attend	
22	in any Indiana county and to testify to any matter about which the	
23	witness may lawfully be interrogated, and to take or subscribe to	
24	any oath required.	
25	(e) If a person fails, refuses, or neglects to comply with a court	
26	order under this section, the person shall be punished for contempt	
27	of court.	
28	(f) The department's authority to designate a multistate	V
29	automated licensing system and repository under subsection	J
30	(a)(16) is subject to the following:	
31	(1) The department may not require any person that is not	
32	required to be licensed under this article, or any employee or	
33	agent of a person that is not required to be licensed under this	
34	article, to:	
35	(A) submit information to the department; or	
36	(B) participate in;	
37	the multistate automated licensing system and repository.	
38	(2) The department may require a person required under this	
39	article to submit information to the multistate automated	
40	licensing system and repository to pay a processing fee	
41	considered reasonable by the department.	
42	Sec. 6. Copies of any statement or document filed with the	



department, and copies of any records of the department, certified to by the director of the department or any deputy are admissible in any prosecution, action, suit, or proceeding based upon, or arising out of or under, the provisions of this article to the same effect as the original of the statement, document, or record would be if actually produced.

## Sec. 7. Upon:

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- (1) disobedience on the part of any person to any lawful subpoena issued under this article, or to any lawful order or demand requiring the production of any books, accounts, papers, records, documents, or other evidence or information as provided in this article; or
- (2) the refusal of any witness to appear when subpoenaed, to testify to any matter regarding which the witness may be lawfully interrogated, or to take or subscribe to any oath required by this article;

it shall be the duty of the circuit or superior court of the county in which the hearing or inquiry or investigation in question is being or is to be held, where demand is made, or where the production is ordered to be made, upon written petition of the department, to compel obedience to the lawful requirements of the subpoena, order, or demand.

- Sec. 8. (a) If the department determines, after a hearing, that a person has violated this article, the department may, in addition to all other remedies, impose a civil penalty upon the person in an amount not to exceed ten thousand dollars (\$10,000) for each violation.
- (b) The department may bring an action in the circuit or superior court of Marion County to enforce payment of any penalty imposed under this section.
- Sec. 9. Any person who violates this article or any rule or regulation adopted under this article, in connection with a contract for the services of a loan broker, is liable to any person damaged by the violation, for the amount of the actual damages suffered, interest at the legal rate, and attorney's fees. If a person violates any provision of this article, or any rule or regulation adopted under this article, in connection with a contract for loan brokering services, the contract is void, and the prospective borrower is entitled to receive from the loan broker all sums paid to the loan broker.
- Sec. 10. (a) Except as provided in subsection (b), a person who knowingly violates this article commits a Class C felony.

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1	(b) A person who knowingly violates this article commits a Class
2	B felony if the person damaged by the violation is at least sixty (60)
3	years of age.
4	(c) A person commits a Class C felony if the person knowingly
5	makes or causes to be made:
6	(1) in any document filed with or sent to the department; or
7	(2) in any proceeding, investigation, or examination under this
8	article;
9	any statement that is, at the time and in the light of the
10	circumstances under which it is made, false or misleading in any
11	material respect.
12	Sec. 11. (a) If a transaction for which a loan broker has charged
13	any fee is rescinded by any person under the provisions of the
14	Truth-in-Lending Act (15 U.S.C. 1601-1667e) within twenty (20)
15	calendar days after a notice of the rescission has been delivered to
16	the creditor, the loan broker shall return to the person any
17	consideration that has been given to the loan broker other than
18	bona fide third party fees.
19	(b) For purposes of calculating the time period during which a
20	person may avoid a contract under IC 24-5-10-8 or
21	IC 24-4.5-2-502, a contract with a loan broker shall be considered
22	to be a sale of services that occurs on the date on which the person
23	signs the written contract required by section 2 of this chapter.
24	Sec. 12. (a) Each loan broker agreement shall be given an
25	account number. Each person licensed as a loan broker or required
26	to be licensed as a loan broker under this article shall keep and
27	maintain the following records or their electronic equivalent:
28	(1) A file for each borrower or proposed borrower that
29	contains the following:
30	(A) The name and address of the borrower or any
31	proposed borrower.
32	(B) A copy of the signed loan broker agreement.
33	(C) A copy of any other papers or instruments used in
34	connection with the loan broker agreement and signed by
35	the borrower or any proposed borrower.
36	(D) If a loan was obtained for the borrower, the name and
37	address of the creditor.
38	(E) If a loan is accepted by the borrower, a copy of the loan
39	agreement.
40	(F) The amount of the loan broker's fee that the borrower
41	has paid. If there is an unpaid balance, the status of any



collection efforts.

1	(2) All receipts from or for the account of borrowers or any	
2	proposed borrowers and all disbursements to or for the	
3	account of borrowers or any proposed borrowers, recorded	
4	so that the transactions are readily identifiable.	
5	(3) A general ledger that shall be posted at least monthly, and	
6	a trial balance sheet and profit and loss statement prepared	
7	within thirty (30) days of the department's request for the	
8	information.	
9	(4) A sample of:	
10	(A) all advertisements, pamphlets, circulars, letters,	
11	articles, or communications published in any newspaper,	
12	magazine, or periodical;	•
13	(B) scripts of any recording, radio, or television	
14	announcement; and	
15	(C) any sales kits or literature;	
16	to be used in solicitation of borrowers.	
17	(5) A report that lists all residential mortgage loans, including	
18	pending loans and loans that were not closed, originated by	
19	the loan broker. The report required by this subdivision must	
20	be searchable by, or organized according to, the borrower's	
21	last name and must include the following information for each	
22	residential mortgage loan listed:	
23	(A) The name and address of the borrower or potential	
24	borrower.	
25	(B) The name of the creditor.	
26	(C) The name of the mortgage loan originator.	
27	(D) The loan amount.	
28	(E) The status of the loan, including the date of closing or	1
29	denial by the creditor.	
30	(F) The interest rate for the loan.	
31	The report required by this subdivision may be prepared or	
32	produced by or through the loan broker's loan origination	
33	software or other software used by the loan broker in its loan	
34	brokerage business.	
35	(b) The records listed in subsection (a) shall be kept for a period	
36	of two (2) years in the office of the loan broker in which the loan	
37	was originated and must be separate or readily identifiable from	
38	the records of any other business that is conducted in the office of	
39	the loan broker. If the office in which any records are required to	
40	be kept under this subsection is located outside Indiana, the	
41	records must be:	



(1) made available at a location that is:

1	(A) located in Indiana; and	
2	(B) accessible to the securities division; or	
3	(2) maintained electronically and made available to the	
4	securities division not later than ten (10) business days after	
5	a request by the securities division to inspect or examine the	
6	records.	
7	(c) If a breach of the security of any records:	
8	(1) maintained by a loan broker under this section; and	
9	(2) containing the unencrypted, unredacted personal	
0	information of one (1) or more borrowers or prospective	4
1	borrowers;	
2	occurs, the loan broker is subject to the disclosure requirements	•
.3	under IC 24-4.9-3, unless the loan broker is exempt from the	
4	disclosure requirements under IC 24-4.9-3-4.	
.5	(d) A person who is licensed or required to be licensed under	
6	this article may not dispose of the unencrypted, unredacted	4
7	personal information of one (1) or more borrowers or prospective	
8	borrowers without first shredding, incinerating, mutilating,	
9	erasing, or otherwise rendering the information illegible or	
20	unusable.	
21	(e) As used in this article, "personal information" includes any	
22	of the following:	
23	(1) An individual's first and last names or first initial and last	
24	name.	
25	(2) Any of the following data elements:	
26	(A) A Social Security number.	
27	(B) A driver's license number.	1
28	(C) A state identification card number.	1
29	(D) A credit card number.	
0	(E) A financial account number or debit card number in	
31	combination with a security code, password, or access code	
32	that would permit access to the person's account.	
3	(3) With respect to an individual, any of the following:	
34	(A) Address.	
55	(B) Telephone number.	
66	(C) Information concerning the individual's:	
37	(i) income or other compensation;	
8	(ii) credit history;	
19	(iii) credit score;	
10	(iv) assets;	
1	(v) liabilities; or	
12	(vi) employment history.	



1	(f) As used in this article, personal information is "encrypted"	
2	if the personal information:	
3	(1) has been transformed through the use of an algorithmic	
4	process into a form in which there is a low probability of	
5	assigning meaning without use of a confidential process or	
6	key; or	
7	(2) is secured by another method that renders the personal	
8	information unreadable or unusable.	
9	(g) As used in this article, personal information is "redacted" if	
10	the personal information has been altered or truncated so that not	
11	more than the last four (4) digits of:	
12	(1) a Social Security number;	
13	(2) a driver's license number;	
14	(3) a state identification number; or	
15	(4) an account number;	
16	are accessible as part of the personal information.	
17	Sec. 13. Whenever a person licensed under this article, or a	
18	person required to be licensed under this article has possession of	
19	funds belonging to others, including money received by or on	
20	behalf of a prospective borrower, the person licensed under this	
21	article, or required to be licensed under this article, shall:	
22	(1) upon request of the prospective borrower, account for any	
23	funds handled for the prospective borrower;	
24	(2) follow any reasonable and lawful instructions from the	
25	prospective borrower concerning the prospective borrower's	
26	funds; and	
27	(3) return any unspent funds of the prospective borrower to	
28	the prospective borrower in a timely manner.	V
29	Sec. 14. Each loan broker licensee shall submit, at such times as	
30	the department may require, reports of condition to:	
31	(1) the department; and	
32	(2) the Nationwide Mortgage Licensing System and Registry.	
33	A report required by this section shall be in the form and contain	
34	the information the department may require.	
35	Sec. 15. (a) A person shall not, in connection with a contract for	
36	the services of a loan broker, either directly or indirectly, do any	
37	of the following:	
38	(1) Employ any device, scheme, or artifice to defraud.	
39	(2) Make any untrue statements of a material fact or omit to	
40	state a material fact necessary in order to make the	
41	statements made, in the light of circumstances under which	
42	they are made, not misleading.	



1	(3) Engage in any act, practice, or course of business that	
2	operates or would operate as a fraud or deceit upon any	
3	person.	
4	(4) Collect or solicit any consideration, except a bona fide	
5	third party fee, in connection with a residential mortgage loan	
6	until the residential mortgage loan has been closed.	
7	(5) Receive any funds if the person knows that the funds were	
8	generated as a result of a fraudulent act.	
9	(6) File or cause to be filed with a county recorder any	
10	document that the person knows:	
11	(A) contains:	
12	(i) a misstatement; or	
13	(ii) an untrue statement;	
14	of a material fact; or	
15	(B) omits a statement of a material fact that is necessary to	
16	make the statements that are made, in the light of	
17	circumstances under which they are made, not misleading.	
18	(7) Knowingly release or disclose the unencrypted, unredacted	
19	personal information of one (1) or more borrowers or	
20	prospective borrowers, unless the personal information is	
21	used in an activity authorized by the borrower or prospective	
22	borrower under one (1) or more of the following	
23	circumstances:	
24	(A) The personal information is:	
25	(i) included on an application form or another form; or	
26	(ii) transmitted as part of an application process or an	
27	enrollment process.	
28	(B) The personal information is used to obtain a consumer	V
29	report (as defined in IC 24-5-24-2) for an applicant for	
30	credit.	
31	(C) The personal information is used to establish, amend,	
32	or terminate an account, a contract, or a policy, or to	
33	confirm the accuracy of the personal information.	
34	However, personal information allowed to be disclosed under	
35	this subdivision may not be printed in whole or in part on a	
36	postcard or other mailer that does not require an envelope, or	
37	in a manner that makes the personal information visible on an	
38	envelope or a mailer without the envelope or mailer being	
39	opened.	
40	(8) Engage in any reckless or negligent activity allowing the	
41	release or disclosure of the unencrypted, unredacted personal	

information of one (1) or more borrowers or prospective



1	borrowers. An activity described in this subdivision includes	
2	an action prohibited by section 12(d) of this chapter.	
3	(9) Knowingly bribe, coerce, or intimidate another person to	
4	corrupt or improperly influence the independent judgment of	
5	a real estate appraiser with respect to the value of any real	
6	estate offered as security for a residential mortgage loan, as	
7	prohibited by section 3 of this chapter.	
8	(10) Violate any of the following:	
9	(A) The federal Truth in Lending Act (15 U.S.C. 1601 et	
10	seq.).	4
11	(B) The federal Real Estate Settlement Procedures Act (12	
12	U.S.C. 2601 et seq.), as amended.	
13	(C) The federal Equal Credit Opportunity Act (15 U.S.C.	
14	1691 et seq.).	
15	(D) Any other federal law or regulation concerning	
16	residential mortgage lending.	4
17	(b) A person who commits an act described in subsection (a) is	
18	subject to sections 4, 8, 9, and 10 of this chapter.	
19	Sec. 16. (a) A person licensed or required to be licensed as a loan	
20	broker under this article shall not employ a person to act as a	
21	mortgage loan originator unless the person is licensed as a	
22	mortgage loan originator or a principal manager under this article.	
23	The license of a mortgage loan originator or a principal manager	
24	is not effective during any period in which the mortgage loan	
25	originator or principal manager is not employed by a loan broker	
26	licensed under this article.	
27	(b) A person licensed or required to be licensed as a loan broker	
28	under this article shall not operate any principal or branch office	
29	of a loan brokerage business without employing a licensed	
30	principal manager at that location.	
31	(c) The licensed principal manager employed at a principal or	
32	branch office of a loan brokerage business shall supervise all	
33	employees at that location. If a licensed mortgage loan originator	
34	works from a location that is not a principal or branch office of a	
35	loan brokerage business, the mortgage loan originator shall be	
36	supervised by the principal manager employed at the principal or	
37	branch office at which the mortgage loan originator's loan files are	
38	sent.	
39	(d) An individual that acts solely as a loan processor or	
40	underwriter shall not represent to the public through:	
41	(1) advertising; or	

(2) other means of communicating or providing information,



1	including the use of business cards, stationery, brochures,
2	signs, rate lists, or other promotional items;
3	that the individual may or will perform mortgage loan origination
4	activities or otherwise act as a mortgage loan originator.
5	Sec. 17. (a) An appeal may be taken by:
6	(1) any person whose application for an initial or a renewal
7	license under this article is granted or denied, from any final
8	order of the department concerning the application;
9	(2) any applicant for initial or renewed licensure as a
10	principal manager or a mortgage loan originator, from any
11	final order of the department affecting the application;
12	(3) any person against whom a civil penalty is imposed under
13	section 8 of this chapter, from the final order of the
14	department imposing the civil penalty; or
15	(4) any person who is named as a respondent, from any final
16	order issued by the department under section 4 or 5 of this
17	chapter;
18	to the Marion circuit court or to the circuit or superior court of the
19	county where the person taking the appeal resides or maintains a
20	place of business.
21	(b) Not later than twenty (20) days after the entry of the order,
22	the department shall be served with:
23	(1) a written notice of the appeal stating the court to which the
24	appeal will be taken and the grounds upon which a reversal of
25	the final order is sought;
26	(2) a demand in writing from the appellant for a certified
27	transcript of the record and of all papers on file in the
28	department's office affecting or relating to the order; and
29	(3) a bond in the penal sum of five hundred dollars (\$500) to
30	the state of Indiana with sufficient surety to be approved by
31	the department, conditioned upon the faithful prosecution of
32	the appeal to final judgment and the payment of all costs that
33	are adjudged against the appellant.
34	(c) Not later than ten (10) days after the department is served
35	with the items listed in subsection (b), the department shall make,
36	certify, and deliver to the appellant the transcript, and the
37	appellant shall, not later than five (5) days after the date the
38	appellant receives the transcript, file the transcript and a copy of
39	the notice of appeal with the clerk of the court. The notice of appeal
40	serves as the appellant's complaint. The department may appear
41	and file any motion or pleading and form the issue. The cause shall

be entered on the trial calendar for trial de novo and given



precedence over all matters pending in the court.
(d) The court shall receive and consider any pertinent oral or
written evidence concerning the order of the department from
which the appeal is taken. If the order of the department is
reversed, the court shall in its mandate specifically direct the
department as to the department's further action in the matter.
The department is not barred from revoking or altering the order

department as to the department's further action in the matter.

The department is not barred from revoking or altering the order for any proper cause that accrues or is discovered after the order is entered. If the order is affirmed, the appellant is not barred after thirty (30) days from the date the order is affirmed from filing a new application if the application is not otherwise barred or limited. During the pendency of the appeal, the order from which

the appeal is taken is not suspended but remains in effect unless otherwise ordered by the court. An appeal may be taken from the judgment of the court on the same terms and conditions as an

appeal is taken in civil actions.

Sec. 18. A loan broker agreement that is delivered or req

Sec. 18. A loan broker agreement that is delivered or required to be delivered by a person licensed or required to be licensed under this article to a borrower or prospective borrower must contain:

- (1) the license number of the loan broker; and
- (2) the license number of each:
  - (A) mortgage loan originator; or
- (B) principal manager;

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who had contact with the file.

SECTION 22. IC 23-2-5-19 IS REPEALED [EFFECTIVE JULY 1, 2009].

SECTION 23. IC 23-2-5 IS REPEALED [EFFECTIVE JANUARY 1, 2011].

SECTION 24. [EFFECTIVE UPON PASSAGE] (a) As used in this SECTION, "commissioner" refers to the securities commissioner appointed under IC 23-19-6-1.

- (b) As used in this SECTION, "department" refers to the department of financial institutions.
- (c) As used in this SECTION, "director" refers to the director of the department of financial institutions appointed under IC 28-11-2-1.
- (d) The definitions in IC 23-2-5-3, as amended by this act, apply throughout this SECTION.
- (e) The commissioner and the director shall cooperate to facilitate the transfer of responsibility for the licensing and regulation of:

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1	(1) loan brokers;	
2	(2) mortgage loan originators, and	
3	(3) principal managers;	
4	from the commissioner to the department effective January 1,	
5	2011, as required by this act.	
6	(f) The commissioner and the director shall issue joint written	
7	guidelines concerning any legislation recommended for	
8	introduction during the 2010 session of the general assembly to	
9	facilitate the transfer described in subsection (e). The guidelines	
10	issued under this subsection shall be submitted to the following not	
11	later than November 1, 2009:	
12	(1) The legislative council.	
13	(2) The members of the senate standing committee that has	
14	jurisdiction over legislation concerning financial institutions.	
15	(3) The members of the house of representatives standing	
16	committee that has jurisdiction over legislation concerning	
17	financial institutions.	U
18	The report to the legislative council required by this subsection	
19	must be in an electronic format under IC 5-14-6.	
20	(g) This SECTION expires July 1, 2011.	
21	SECTION 25. [EFFECTIVE JANUARY 1, 2011] (a)	
22	Notwithstanding the repeal of IC 23-2-5 on January 1, 2011, by this	
23	act, the loan broker regulation account created by IC 23-2-5-7,	
24	before its repeal by this act, continues in existence after December	
25	31, 2010, and may be used by the department of financial	
26	institutions for the regulation of loan brokers, mortgage loan	
27	originators, and principal managers under IC 24-4.2, as added by	
28	this act.	V
29	(b) This SECTION expires January 1, 2012.	
30	SECTION 26. An emergency is declared for this act.	



## COMMITTEE REPORT

Mr. Speaker: Your Committee on Financial Institutions, to which was referred House Bill 1646, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Replace the effective dates in SECTIONS 1 through 9 with "[EFFECTIVE JANUARY 1, 2010]".

Replace the effective dates in SECTIONS 11 through 13 with "[EFFECTIVE JANUARY 1, 2010]".

Replace the effective dates in SECTIONS 15 through 18 with "[EFFECTIVE JANUARY 1, 2010]".

Page 3, line 32, delete "or" and insert "and".

Page 5, line 10, delete "institution (as defined in IC 23-19-1-2(5));" and insert "**institution**;".

Page 5, line 12, delete "institution (as" and insert "**institution**; **and**". Page 5, delete line 13.

Page 5, line 16, delete "subject to the supervision of" and insert "regulated by".

Page 5, line 19, after "the" insert "Nationwide".

Page 6, between lines 21 and 22, begin a new paragraph and insert:

- "(u) As used in this chapter, "depository institution" has the meaning set forth in the Federal Deposit Insurance Act (12 U.S.C. 1813(c)) and includes any credit union.
- (v) As used in this chapter, "state licensed mortgage loan originator" means any individual who:
  - (1) is a mortgage loan originator;
  - (2) is not an employee of:
    - (A) a depository institution;
    - (B) a subsidiary that is:
      - (i) owned and controlled by a depository institution; and
      - (ii) regulated by a federal financial institution regulatory agency (as defined in 12 U.S.C. 3350(6)); or
    - (C) an institution regulated by the Farm Credit Administration;
  - (3) is licensed by a state or by the Secretary of the United States Department of Housing and Urban Development under Section 1508 of the S.A.F.E. Mortgage Licensing Act of 2008 (Title V of P.L.110-289); and
  - (4) is registered as a mortgage loan originator with, and maintains a unique identifier through, the Nationwide Mortgage Licensing System and Registry.
  - (w) As used in this chapter, "unique identifier" means a number



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or other identifier that:

- (1) permanently identifies a mortgage loan originator; and
- (2) is assigned by protocols established by the Nationwide Mortgage Licensing System and Registry and the federal financial institution regulatory agencies to facilitate:
  - (A) the electronic tracking of mortgage loan originators; and
  - (B) the uniform identification of, and public access to, the employment history of and the publicly adjudicated disciplinary and enforcement actions against mortgage loan originators."

Page 6, line 32, after "registration" insert "unique identifier from the Nationwide Mortgage Licensing System and Registry and a".

Page 6, line 40, after "registration" insert "unique identifier from the Nationwide Mortgage Licensing System and Registry and a".

Page 7, between lines 13 and 14, begin a new paragraph and insert:

"(f) A unique identifier obtained by an individual from the Nationwide Mortgage Licensing System and Registry under subsection (b) or (c) may not be used for purposes other than those set forth in the S.A.F.E. Mortgage Licensing Act of 2008 (Title V of P.L.110-289)."

Page 8, delete lines 31 through 33.

Page 9, delete lines 21 through 23.

Page 11, between lines 36 and 37, begin a new paragraph and insert:

- "(l) The commissioner shall require each applicant for licensure as:
  - (1) a mortgage loan originator; or
  - (2) a principal manager;

to submit written authorization for the commissioner or an agent of the commissioner to obtain a consumer report (as defined in IC 24-5-24-2) concerning the applicant.

- (m) In reviewing a consumer report obtained under subsection (l), the commissioner may consider one (1) or more of the following in determining whether an individual described in subsection (l) has demonstrated financial responsibility:
  - (1) Bankruptcies filed by the individual within the most recent ten (10) years.
  - (2) Current outstanding civil judgments against the individual, except judgments resulting solely from medical expenses owed by the individual.
  - (3) Current outstanding tax liens or other government liens or filings.

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- (4) Foreclosure actions filed within the most recent three (3) years against property owned by the individual.
- (5) Any pattern of seriously delinquent accounts associated with the individual during the most recent three (3) years.".

Page 12, line 3, delete "commissioner." and insert "commissioner and approved by the Nationwide Mortgage Licensing System and Registry.".

Page 12, line 32, delete "July 1, 2009." and insert "January 1, 2010.".

Page 12, line 36, delete "July 1, 2009," and insert "January 1, 2010,".

Page 12, line 36, delete "June 30, 2009," and insert "**December 31, 2009,**".

Page 12, line 38, delete "July 1, 2009." and insert "January 1, 2010.".

Page 12, line 38, delete "June 30, 2009," and insert "**December 31**, **2009**,".

Page 13, line 3, delete "June 30, 2009." and insert "**December 31, 2009.**".

Page 13, line 5, delete "July 1, 2009," and insert "January 1, 2010,".

Page 13, line 5, delete "June 30," and insert "December 31,".

Page 13, line 7, delete "July 1, 2009." and insert "January 1, 2010.".

Page 13, line 7, delete "June 30, 2009," and insert "**December 31, 2009,**".

Page 17, line 19, after "crime" insert ", other than a felony,".

Page 22, line 10, strike "National" and insert "Nationwide".

Page 24, line 1, reset in roman "subsection".

Page 24, line 2, delete "subsections".

Page 24, line 2, after "(b)" insert ",".

Page 24, line 2, delete "and (c),".

Page 26, line 33, delete "National" and insert "Nationwide".

Page 28, delete lines 15 through 18.

Page 29, line 17, after "commissioner" delete ".".

Page 29, line 17, after "business." insert "and approved by the Nationwide Mortgage Licensing System and Registry.".

Page 29, line 30, after "commissioner" insert ",".

Page 29, line 30, reset in roman "and".

Page 29, line 31, after "business;" insert "approved by the Nationwide Mortgage Licensing System and Registry,".

Page 34, between lines 5 and 6, begin a new paragraph and insert:

"(b) A person who knowingly violates section 1 of this chapter



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commits a Class B felony if the person harmed, defrauded, misled, or deceived by the violation is at least sixty (60) years of age.".

Page 34, line 6, delete "(b)" and insert "(c)".

Page 34, line 11, delete "(c)" and insert "(d)".

Page 34, line 39, delete "(d)" and insert "(e)".

Page 34, between lines 41 and 42, begin a new paragraph and insert: "SECTION 21. IC 24-4.2 IS ADDED TO THE INDIANA CODE AS A **NEW** ARTICLE TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2011]:

## ARTICLE 4.2. RESIDENTIAL MORTGAGE LOAN BROKERS

**Chapter 1. Definitions** 

- Sec. 1. The definitions in this chapter apply throughout this article.
- Sec. 2. "Bona fide third party fee", with respect to a residential mortgage loan, includes any of the following:
  - (1) Fees for real estate appraisals. However, if the residential mortgage loan is governed by Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (12 U.S.C. 3331 through 3352), the fee for an appraisal performed in connection with the loan is not a bona fide third party fee unless the appraisal is performed by a person that is licensed or certified under IC 25-34.1-3-8.
  - (2) Fees for title examination, abstract of title, title insurance, property surveys, or similar purposes.
  - (3) Notary and credit report fees.
  - (4) Fees for the services provided by a loan broker in procuring possible business for a creditor if the fees are paid by the creditor.
- Sec. 3. "Branch office" means any fixed physical location from which a loan broker licensee holds itself out as engaging in the loan brokerage business.
- Sec. 4. "Department" refers to the department of financial institutions.
- Sec. 5. "Depository institution" has the meaning set forth in the Federal Deposit Insurance Act (12 U.S.C. 1813(c)) and includes any credit union.
- Sec. 6. "Licensee" means a person that is issued a license under this article.
- Sec. 7. (a) "Loan broker" means any person who, in return for any consideration from any source procures, attempts to procure, or assists in procuring, a residential mortgage loan from a third

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party or any other person, whether or not the person seeking the loan actually obtains the loan.

- (b) The term does not include:
  - (1) any supervised financial organization (as defined in IC 24-4.5-1-301(20)), including a bank, savings bank, trust company, savings association, or credit union;
  - (2) any other financial institution that is:
    - (A) regulated by any agency of the United States or any state; and
    - (B) regularly actively engaged in the business of making consumer loans that are not secured by real estate or taking assignment of consumer sales contracts that are not secured by real estate;
  - (3) any insurance company;
  - (4) any person arranging financing for the sale of the person's product; or
  - (5) a creditor that is licensed under IC 24-4.4-2-402.
- Sec. 8. "Loan broker license" means a license issued by the department authorizing a person to engage in the loan brokerage business.
- Sec. 9. "Loan brokerage business" means a person acting as a loan broker.
- Sec. 10. "Loan processor or underwriter" means an individual who:
  - (1) is employed by a loan broker licensee and acts at the direction of, and subject to the supervision of, the loan broker licensee or a licensed principal manager employed by the loan broker licensee; and
  - (2) performs solely clerical or support duties on behalf of the loan broker licensee, including any of the following activities with respect to a residential mortgage loan application received by the loan broker licensee:
    - (A) The receipt, collection, distribution, and analysis of information commonly used in the processing or underwriting of a residential mortgage loan.
    - (B) Communicating with a borrower or potential borrower to obtain the information necessary for the processing or underwriting of a residential mortgage loan, to the extent that the communication does not include:
      - (i) offering or negotiating loan rates or terms; or
      - (ii) counseling borrowers or potential borrowers about residential mortgage loan rates or terms.









- Sec. 11. "Mortgage loan origination activities" means performing any of the following activities for compensation or gain in connection with a residential mortgage loan:
  - (1) Receiving or recording a borrower's or potential borrower's residential mortgage loan application information in any form for use in a credit decision by a creditor.
  - (2) Offering to negotiate or negotiating terms of a residential mortgage loan.
- Sec. 12. (a) "Mortgage loan originator" means an individual engaged in mortgage loan origination activities.
  - (b) The term does not include a person who:
    - (1) performs purely administrative or clerical tasks on behalf of a mortgage loan originator or acts as a loan processor or underwriter;
    - (2) performs only real estate brokerage activities and is licensed in accordance with IC 25-34.1 or the applicable laws of another state, unless the person is compensated by a creditor, a loan broker, a mortgage loan originator, or any agent of a creditor, a loan broker, or a mortgage loan originator; or
    - (3) is involved only in extensions of credit relating to time share plans (as defined in 11 U.S.C. 101(53D)).
- Sec. 13. "Mortgage loan originator license" means a license issued by the department authorizing an individual to act as a mortgage loan originator on behalf of a loan broker licensee.
- Sec. 14. "Person" means an individual, a partnership, a trust, a corporation, a limited liability company, a limited liability partnership, a sole proprietorship, a joint venture, a joint stock company, or another group or entity, however organized.
  - Sec. 15. "Principal manager" means an individual who:
    - (1) has at least three (3) years of experience:
      - (A) as a mortgage loan originator; or
      - (B) in financial services;

that is acceptable to the department; and

- (2) is principally responsible for the supervision and management of the employees and business affairs of a loan broker licensee.
- Sec. 16. "Principal manager license" means a license issued by the department authorizing an individual to act as:
  - (1) a principal manager; or
- (2) a mortgage loan originator; on behalf of a loan broker licensee.

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- Sec. 17. "Real estate brokerage activity" means any activity that involves offering or providing real estate brokerage services to the public, including any of the following:
  - (1) Acting as a real estate broker or salesperson for a buyer, seller, lessor, or lessee of real property.
  - (2) Bringing together parties interested in the sale, lease, or exchange of real property.
  - (3) Negotiating, on behalf of any party, any part of a contract concerning the sale, lease, or exchange of real property, other than in connection with obtaining or providing financing for the transaction.
  - (4) Engaging in any activity for which the person performing the activity is required to be licensed under IC 25-34.1 or the applicable laws of another state.
  - (5) Offering to engage in any activity, or to act in any capacity with respect to any activity, described in subdivisions (1) through (4).
- Sec. 18. "Registered mortgage loan originator" means a mortgage loan originator who:
  - (1) is an employee of:
    - (A) a depository institution;
    - (B) a subsidiary that is:
      - (i) owned and controlled by a depository institution; and
    - (ii) regulated by a federal financial institution regulatory agency (as defined in 12 U.S.C. 3350(6)); or
    - (C) an institution regulated by the Farm Credit Administration; and
  - (2) is registered with and maintains a unique identifier with the Mortgage Licensing System and Registry.
- Sec. 19. "Residential mortgage loan" means a loan that is secured by a mortgage, deed of trust, or other consensual security interest on real estate in Indiana on which there is located or intended to be constructed a dwelling (as defined in the federal Truth in Lending Act (15 U.S.C. 1602(v)) that is or will be used primarily for personal, family, or household purposes.
- Sec. 20. "State licensed mortgage loan originator" means any individual who:
  - (1) is a mortgage loan originator;
  - (2) is not an employee of:
    - (A) a depository institution;
    - (B) a subsidiary that is:
      - (i) owned and controlled by a depository institution; and

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- (ii) regulated by a federal financial institution regulatory agency (as defined in 12 U.S.C. 3350(6)); or
- (C) an institution regulated by the Farm Credit Administration; and
- (3) is licensed by a state or by the Secretary of the United States Department of Housing and Urban Development under Section 1508 of the S.A.F.E. Mortgage Licensing Act of 2008 (Title V of P.L.110-289); and
- (4) is registered as a mortgage loan originator with, and maintains a unique identifier through, the Nationwide Mortgage Licensing System and Registry.
- Sec. 21. "Ultimate equitable owner" means a person who, directly or indirectly, owns or controls ten percent (10%) or more of the equity interest in a loan broker licensed or required to be licensed under this article, regardless of whether the person owns or controls the equity interest through one (1) or more other persons or one (1) or more proxies, powers of attorney, or variances.
- Sec. 22. "Unique identifier" means a number or other identifier that:
  - (1) permanently identifies a mortgage loan originator; and
  - (2) is assigned by protocols established by the Nationwide Mortgage Licensing System and Registry and the federal financial institution regulatory agencies to facilitate:
    - (A) the electronic tracking of mortgage loan originators; and
    - (B) the uniform identification of, and public access to, the employment history of and the publicly adjudicated disciplinary and enforcement actions against mortgage loan originators.

## Chapter 2. Licensing

- Sec. 1. (a) A person may not engage in the loan brokerage business in Indiana unless the person first obtains a loan broker license from the department. Any person desiring to engage in the loan brokerage business shall apply to the department for a loan broker license under this article.
- (b) An individual may not act as a mortgage loan originator in Indiana on behalf of a person licensed or required to be licensed as a loan broker under this article unless the individual first obtains a mortgage loan originator license from the department. An individual desiring to act as a mortgage loan originator on behalf of a person licensed or required to be licensed as a loan broker

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under this article shall apply to the department for a mortgage loan originator license under this article.

- (c) An individual may not act as a principal manager on behalf of a person licensed or required to be licensed as a loan broker under this article unless the individual first obtains a principal manager license from the department. Any individual desiring to act as a principal manager on behalf of a person licensed or required to be licensed as a loan broker under this article shall apply to the department for a principal manager license under this article.
- (d) The department may request evidence of compliance with this section at any of the following times:
  - (1) The time of application for an initial license.
  - (2) The time of renewal of a license.
  - (3) Any other time considered necessary by the department.
- (e) For purposes of subsection (d), evidence of compliance with this section must include a criminal background check, including a national criminal history background check (as defined in IC 10-13-3-12) by the Federal Bureau of Investigation.
- Sec. 2. (a) An application for a loan broker license or renewal of a loan broker license must contain:
  - (1) consent to service of process under subsection (g);
  - (2) evidence of the bond required in subsection (d);
  - (3) an application fee of two hundred dollars (\$200), plus one hundred dollars (\$100) for each ultimate equitable owner;
  - (4) an affidavit affirming that none of the applicant's ultimate equitable owners, directors, managers, or officers have been convicted, in any jurisdiction, of:
    - (A) any felony within the previous seven (7) years; or
    - (B) an offense involving fraud or deception that is punishable by at least one (1) year of imprisonment;
  - unless such an affidavit is waived by the department under subsection (h);
  - (5) evidence that the applicant, if the applicant is an individual, has completed the education requirements under section 4 of this chapter;
  - (6) the name and license number for each mortgage loan originator to be employed by the licensee;
  - (7) the name and license number for each principal manager; and
  - (8) for each ultimate equitable owner, the following information:











- (A) The name of the ultimate equitable owner.
- (B) The address of the ultimate equitable owner, including the home address of the ultimate equitable owner if the ultimate equitable owner is an individual.
- (C) The telephone number of the ultimate equitable owner, including the home telephone number if the ultimate equitable owner is an individual.
- (D) The ultimate equitable owner's Social Security number and date of birth, if the ultimate equitable owner is an individual.
- (b) An application for licensure as a mortgage loan originator shall be made on a form prescribed by the department. The application must include the following information for the individual that seeks to be licensed as a mortgage loan originator:
  - (1) The name of the individual.
  - (2) The home address of the individual.
  - (3) The home telephone number of the individual.
  - (4) The individual's Social Security number and date of birth.
  - (5) The name of the:
    - (A) loan broker licensee; or
  - (B) applicant for loan broker licensure;

for whom the individual seeks to be employed as a mortgage loan originator.

- (6) Consent to service of process under subsection (g).
- (7) Evidence that the individual has completed the education requirements described in section 4 of this chapter.
- (8) An application fee of fifty dollars (\$50).
- (9) All:
  - (A) license numbers previously issued to the individual under IC 23-2-5 (before its repeal on January 1, 2011), if applicable; and
  - (B) license numbers previously issued to the individual under this article, if applicable.
- (c) An application for licensure as a principal manager shall be made on a form prescribed by the department. The application must include the following information for the individual who seeks to be licensed as a principal manager:
  - (1) The name of the individual.
  - (2) The home address of the individual.
  - (3) The home telephone number of the individual.
  - (4) The individual's Social Security number and date of birth.
  - (5) The name of the:







- (A) loan broker licensee; or
- (B) applicant for loan broker licensure; for whom the individual seeks to be employed as a principal manager.
- (6) Consent to service of process under subsection (g).
- (7) Evidence that the individual has completed the education requirements described in section 4 of this chapter.
- (8) Evidence that the individual has at least three (3) years of experience in the:
  - (A) loan brokerage; or
  - (B) financial services;

business.

- (9) An application fee of one hundred dollars (\$100). (10) All:
  - - (A) license numbers previously issued to the individual under IC 23-2-5 (before its repeal on January 1, 2011), if applicable; and
  - (B) license numbers previously issued to the individual under this article, if applicable.
- (d) A loan broker licensee must maintain a bond satisfactory to the department, which must cover the activities of each licensed mortgage loan originator and licensed principal manager employed by the loan broker licensee. The bond must be in one (1) of the following amounts, depending on the total amount of residential mortgage loans originated by the loan broker in the previous calendar year:
  - (1) Fifty thousand dollars (\$50,000) if the total amount of residential mortgage loans originated by the loan broker in the previous calendar year was not greater than one million five hundred thousand dollars (\$1,500,000).
  - (2) Seventy thousand dollars (\$70,000) if the total amount of residential mortgage loans originated by the loan broker in the previous calendar year was greater than one million five hundred thousand dollars (\$1,500,000) but not greater than five million dollars (\$5,000,000).
  - (3) Ninety-five thousand dollars (\$95,000) if the total amount of residential mortgage loans originated by the loan broker in the previous calendar year was greater than five million dollars (\$5,000,000).

The bond shall be in favor of the state and shall secure payment of damages to any person aggrieved by any violation of this article by the licensee or any licensed mortgage loan originator or licensed

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principal manager employed by the licensee.

- (e) The department shall issue a license and license number to an applicant for a loan broker license, a mortgage loan originator license, or a principal manager license if the applicant meets the applicable licensure requirements set forth in this article.
- (f) Licenses issued by the department under this article expire on December 31 of the year in which they are issued.
- (g) Every applicant for licensure or for renewal of a license shall file with the department, in such form as the department by rule or order prescribes, an irrevocable consent appointing the department to be the applicant's agent to receive service of any lawful process in any noncriminal suit, action, or proceeding against the applicant arising from the violation of any provision of this article. Service shall be made in accordance with the Indiana Rules of Trial Procedure.
- (h) Upon good cause shown, the department may waive the requirements of subsection (a)(4) for one (1) or more of an applicant's ultimate equitable owners, directors, managers, or officers.
- (i) Whenever an initial or a renewal application for a license is denied or withdrawn, the department shall retain the initial or renewal application fee paid.
- (j) At the time of application for an initial license under this article, the department shall require each:
  - (1) equitable owner, in the case of an applicant for a loan broker license;
  - (2) individual described in subsection (a)(4), in the case of an applicant for a loan broker license; and
  - (3) applicant for licensure as:
    - (A) a mortgage loan originator; or
    - (B) a principal manager;

to submit fingerprints for a national criminal history background check (as defined in IC 10-13-3-12) by the Federal Bureau of Investigation, for use by the department in determining whether the equitable owner, the individual described in subsection (a)(4), or the applicant should be denied licensure under this article for any reason set forth in IC 24-4.2-3-4. The equitable owner, individual described in subsection (a)(4), or applicant shall pay any fees or costs associated with the fingerprints and background check required under this subsection. The department may not release the results of a background check described in this subsection to any private entity.









- (k) Every three (3) years, beginning with the third calendar year following the calendar year in which an initial license is issued under this article, the department shall require each:
  - (1) equitable owner, in the case of a loan broker licensee;
  - (2) individual described in subsection (a)(4), in the case of a loan broker licensee; and
  - (3) licensed:
    - (A) mortgage loan originator; or
    - (B) principal manager;

to submit fingerprints for a national criminal history background check (as defined in IC 10-13-3-12) by the Federal Bureau of Investigation, for use by the department in determining whether the equitable owner, the individual described in subsection (a)(4), or the licensee should be denied continued licensure under this article for any reason set forth in IC 24-4.2-3-4. The equitable owner, individual described in subsection (a)(4), or licensee shall pay any fees or costs associated with the fingerprints and background check required under this subsection. The department may not release the results of a background check described in this subsection to any private entity.

- (1) The department shall require each applicant for licensure as:
  - (1) a mortgage loan originator; or
  - (2) a principal manager;

to submit written authorization for the department or an agent of the department to obtain a consumer report (as defined in IC 24-5-24-2) concerning the applicant.

- (m) In reviewing a consumer report obtained under subsection (l), the department may consider one (1) or more of the following in determining whether an individual described in subsection (l) has demonstrated financial responsibility:
  - (1) Bankruptcies filed by the individual within the most recent ten (10) years.
  - (2) Current outstanding civil judgments against the individual, except judgments resulting solely from medical expenses owed by the individual.
  - (3) Current outstanding tax liens or other government liens or filings.
  - (4) Foreclosure actions filed within the most recent three (3) years against property owned by the individual.
  - (5) Any pattern of seriously delinquent accounts associated with the individual during the most recent three (3) years.
  - Sec. 3. (a) The department shall require an applicant for



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licensure as:

- (1) a mortgage loan originator under section 2(b) of this chapter; or
- (2) a principal manager under section 2(c) of this chapter; to pass a written examination prepared and administered by the department or an agent appointed by the department and approved by the Nationwide Mortgage Licensing System and Registry.
- (b) The written examination required by this section must measure the applicant's knowledge and comprehension in appropriate subject areas, including the following:
  - (1) Ethics.
  - (2) Federal laws and regulations concerning the origination of residential mortgage loans.
  - (3) State laws and rules concerning the origination of residential mortgage loans.
- (c) An individual who answers at least seventy-five percent (75%) of the questions on the written examination correctly is considered to have passed the examination.
- (d) An individual who does not pass the written examination may retake the examination up to two (2) additional times, with each subsequent attempt occurring at least thirty (30) days after the individual last sat for the examination. If an individual fails three (3) consecutive examinations, the individual must wait to retake the examination until at least six (6) months after the individual sat for the third examination.
- (e) Except as provided in subsection (f), if an individual who has been issued a mortgage loan originator license or a principal manager license under this article:
  - (1) allows the individual's license to lapse; or
  - (2) otherwise does not maintain a valid license under this article:

for a period of at least five (5) years, the individual must retake the written examination required by this section.

- (f) This subsection applies to an individual who was licensed as a mortgage loan originator or a principal manager under IC 23-2-5 (before its repeal on January 1, 2011). An individual to whom this subsection applies is not required to take the written examination required by this section except as follows:
  - (1) If the individual's license issued under IC 23-2-5 (before its repeal on January 1, 2011) was valid and in effect on December 31, 2010, the individual is considered licensed









under this article as of January 1, 2011. After December 31, 2010, an individual described in this subdivision is not required to take the written examination required by this section unless the individual:

- (A) allows the individual's license to lapse; or
- (B) otherwise does not maintain a valid license; for a period of at least five (5) years, beginning at any time after December 31, 2010.
- (2) If the individual's license issued under IC 23-2-5 (before its repeal on January 1, 2011) was not valid and in effect on December 31, 2010, the individual is not considered licensed under this article as of January 1, 2011. After December 31, 2010, an individual described in this subdivision who seeks to act as a mortgage loan originator or a principal manager in Indiana must:
  - (A) apply to the department for licensure under section 2(b) or 2(c) of this chapter, whichever applies; and
- (B) take the written examination required by this section. Sec. 4. (a) A person applying for an initial license must provide to the department evidence that during the twenty-four (24) month period immediately preceding the application that the person completed at least twenty (20) hours of academic instruction, acceptable to the department and approved by the Nationwide Mortgage Licensing System and Registry. The education hours required under this subsection must include the following:
  - (1) Three (3) hours of federal law and regulations concerning residential mortgage lending.
  - (2) Three (3) hours of ethics, including instruction on fraud, consumer protection, and fair lending practices.
  - (3) Two (2) hours of training concerning lending standards for nontraditional residential mortgage loan products.
  - (4) Two (2) hours of state law and rules concerning residential mortgage lending.
- (b) To maintain a license under this article, a person must provide to the department evidence that the person has completed at least eight (8) hours of academic instruction that is acceptable to the department, and approved by the Nationwide Mortgage Licensing System and Registry, during each calendar year after the year in which the license was initially issued. The education hours required under this subsection must include the following:
  - (1) Three (3) hours of federal law and regulations concerning residential mortgage lending.











- (2) Two (2) hours of ethics, including instruction on fraud, consumer protection, and fair lending practices.
- (3) Two (2) hours of training concerning lending standards for nontraditional residential mortgage loan products.
- (c) In determining the acceptability of academic instruction the department shall give consideration to approval of a licensee's internal academic instruction programs completed by employees.
- (d) In determining the acceptability of an education course, the department may require a fee, in an amount prescribed by the department by rule or order, for the department's review of the course.
- Sec. 5. A loan broker licensee may not continue engaging in the loan brokerage business unless the licensee's license is renewed annually. A mortgage loan originator licensee or a principal manager licensee may not continue acting as:
  - (1) a mortgage loan originator; or
  - (2) a principal manager;

unless the licensee's license is renewed annually. A licensee under this article shall renew its license by filing with the department, at least thirty (30) days before the expiration of the license, an application containing any information the department may require to indicate any material change from the information contained in the applicant's original application or any previous application.

Chapter 3. Administration, Compliance, and Enforcement

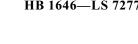
- Sec. 1. (a) After December 31, 2010, the money in the loan broker regulation account established by IC 23-2-5-7 (before its repeal on January 1, 2011) may be used only for the regulation of loan brokers, mortgage loan originators, and principal managers under this article. The loan broker regulation account shall be administered by the treasurer of state. The money in the loan broker regulation account does not revert to any other account within the state general fund at the end of a state fiscal year.
- (b) All fees and funds accruing from the administration of this article shall be accounted for by the department and shall be deposited with the treasurer of state who shall deposit them in the loan broker regulation account in the state general fund.
- (c) All expenses incurred in the administration of this article shall be paid from:
  - (1) appropriations made from the state general fund; and
  - (2) additional funds available, with the approval of the budget agency, from the loan broker regulation account.







- Sec. 2. (a) To be enforceable, every contract for the services of a loan broker shall be in writing and signed by the contracting parties.
- (b) At the time a contract for the services of a loan broker is signed, the loan broker shall provide a copy of the signed contract to each of the other parties to the contract.
- (c) Every contract for the services of a loan broker must include the following statement:
- "No statement or representation by a loan broker is valid or enforceable unless the statement or representation is in writing.".
- (d) This section does not apply to a contract that provides for the payment of referral fees by a lender or a third party.
- Sec. 3. (a) As used in this section, "appraisal company" means a business entity that:
  - (1) performs real estate appraisals on a regular basis for compensation through one (1) or more owners, officers, employees, or agents; or
  - (2) holds itself out to the public as performing real estate appraisals.
- (b) As used in this section, "immediate family", with respect to an individual, refers to:
  - (1) the individual's spouse who resides in the individual's household; and
  - (2) any dependent child of the individual.
- (c) As used in this section, "real estate appraiser" means a person who:
  - (1) is licensed as a real estate broker under IC 25-34.1 and performs real estate appraisals within the scope of the person's license;
  - (2) holds a real estate appraiser license or certificate issued under IC 25-34.1-3-8; or
  - (3) otherwise performs real estate appraisals in Indiana.
- (d) A person licensed under this article, or a person required to be licensed under this article, shall not knowingly bribe, coerce, or intimidate another person to corrupt or improperly influence the independent judgment of a real estate appraiser with respect to the value of any real estate offered as security for a residential mortgage loan.
  - (e) Except as provided in subsection (f):
    - (1) a person licensed under this article, or a person required to be licensed under this article;
    - (2) a member of the immediate family of:









- (A) a person licensed under this article; or
- (B) a person required to be licensed under this article; or (3) a person described in subdivision (1) or (2) in combination with one (1) or more other persons described in subdivision (1) or (2);

may not own or control a majority interest in an appraisal company.

- (f) This subsection applies to a person or combination of persons described in subsection (e) who own or control a majority interest in an appraisal company on June 30, 2007. The prohibition set forth in subsection (e) does not apply to a person or combination of persons described in this subsection, subject to the following:
  - (1) The interest in the appraisal company owned or controlled by the person or combination of persons described in subsection (e) shall not be increased after June 30, 2007.
  - (2) The interest of a person licensed under this article, or of a person required to be licensed under this article, shall not be transferred to a member of the person's immediate family.
  - (3) If the department determines that any person or combination of persons described in subsection (e) has violated this article, the department may order one (1) or more of the persons to divest their interest in the appraisal company. The department may exercise the remedy provided by this subdivision in addition to, or as a substitute for, any other remedy available to the department under this article.
- Sec. 4. (a) Whenever it appears to the department that a person has engaged in or is about to engage in an act or a practice constituting a violation of this article or a rule or an order under this article, the department may investigate and may issue, with a prior hearing if there exists no substantial threat of immediate irreparable harm or without a prior hearing, if there exists a substantial threat of immediate irreparable harm, orders and notices as the department determines to be in the public interest, including cease and desist orders, orders to show cause, and notices. After notice and hearing, the department may enter an order of rescission, restitution, or disgorgement, including interest at the rate of eight percent (8%) per year, directed to a person who has violated this article or a rule or order under this article.
- (b) Upon the issuance of an order or notice without a prior hearing by the department under subsection (a), the department shall promptly notify the respondent and, if the subject of the order or notice is a mortgage loan originator licensee or a principal

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manager licensee, the loan broker licensee for whom the mortgage loan originator or principal manager is employed:

- (1) that the order or notice has been issued;
- (2) of the reasons the order or notice has been issued; and
- (3) that upon the receipt of a written request the matter will be set for a hearing to commence not later than forty-five (45) business days after receipt of the request unless the respondent consents to a later date.

If a hearing is not requested and not ordered by the department, an order remains in effect until it is modified or vacated by the department. If a hearing is requested or ordered, the department, after notice of an opportunity for hearing, may modify or vacate the order or extend it until final determination.

- (c) The department may deny an application for an initial or a renewal license, and may suspend or revoke the license of a licensee, if the applicant, the licensee, or an ultimate equitable owner of an applicant for a loan broker license or of a loan broker licensee:
  - (1) has, within the most recent ten (10) years:
    - (A) been the subject of an adjudication or a determination by:
      - (i) a court with jurisdiction; or
      - (ii) an agency or administrator that regulates securities, commodities, banking, financial services, insurance, real estate, or the real estate appraisal industry;

in Indiana or in any other jurisdiction; and

- (B) been found, after notice and opportunity for hearing, to have violated the securities, commodities, banking, financial services, insurance, real estate, or real estate appraisal laws of Indiana or any other jurisdiction;
- (2) except as provided in subsection (d)(1) with respect to the loan brokerage business, has:
  - (A) been denied the right to do business in the securities, commodities, banking, financial services, insurance, real estate, or real estate appraisal industry; or
  - (B) had the person's authority to do business in the securities, commodities, banking, financial services, insurance, real estate, or real estate appraisal industry revoked or suspended;

by Indiana or by any other state, federal, or foreign governmental agency or self regulatory organization;

(3) is insolvent;











- (4) has violated any provision of this article;
- (5) has knowingly filed with the department any document or statement that:
  - (A) contains a false representation of a material fact;
  - (B) fails to state a material fact; or
  - (C) contains a representation that becomes false after the filing but during the term of a license as provided in subsection (j);
- (6) has been convicted, within ten (10) years before the date of the application, renewal, or review, of any crime, other than a felony, involving fraud or deceit;
- (7) if the person is a loan broker licensee or a principal manager, has failed to reasonably supervise the person's mortgage loan originators or employees to ensure their compliance with this article;
- (8) is on the most recent tax warrant list supplied to the department by the department of state revenue; or
- (9) has engaged in dishonest or unethical practices in the loan brokerage business, as determined by the department.
- (d) The department shall deny an application for an initial or a renewal license and shall suspend or revoke the license of a licensee if the applicant, the licensee, or an ultimate equitable owner of an applicant for a loan broker license or of a loan broker licensee:
  - (1) has had a:
    - (A) loan broker license issued under this article;
    - (B) mortgage loan originator license issued under this article;
    - (C) principal manager license issued under this article; or
    - (D) license that is:
      - (i) equivalent to a license described in clause (A), (B), or
      - (C); and
      - (ii) issued by another jurisdiction;

revoked by the department or the appropriate regulatory agency in another jurisdiction, whichever applies;

- (2) has been convicted of or pleaded guilty or nolo contendere to a felony in a domestic, foreign, or military court:
  - (A) during the seven (7) year period immediately preceding the date of the application or review; or
  - (B) at any time preceding the date of the application or review if the felony involved an act of fraud or dishonesty, a breach of trust, or money laundering;
- (3) fails to maintain the bond required under IC 24-4.2-2-2(d);











- (4) fails to demonstrate the financial responsibility, character, and general fitness necessary to:
  - (A) command the confidence of the community in which the applicant or licensee engages or will engage in the loan brokerage business; and
  - (B) warrant a determination by the department that the applicant or licensee will operate honestly, fairly, and efficiently within the purposes of this article;
- (5) has failed to meet the education requirements set forth in IC 24-4.2-2-4;
- (6) has failed to pass the written examination required by IC 24-4.2-2-3; or
- (7) fails to:
  - (A) keep or maintain records in accordance with section 12 of this chapter; or
  - (B) allow the department or an agent appointed by the department to inspect or examine a loan broker licensee's books and records to determine compliance with section 12 of this chapter.
- (e) The department may do either of the following:
  - (1) Censure:
    - (A) a licensee;
    - (B) an officer, a director, or an ultimate equitable owner of a loan broker licensee; or
    - (C) any other person;

who violates or causes a violation of this article.

- (2) Permanently bar any person described in subdivision (1) from being:
  - (A) licensed under this article; or
  - (B) employed by or affiliated with a person licensed under this article;

if the person violates or causes a violation of this article.

- (f) The department may not enter a final order:
  - (1) denying, suspending, or revoking the license of an applicant or a licensee; or
  - (2) imposing other sanctions;

without prior notice to all interested parties, opportunity for a hearing, and written findings of fact and conclusions of law. However, the department may by summary order deny, suspend, or revoke a license pending final determination of any proceeding under this section or before any proceeding is initiated under this section. Upon the entry of a summary order, the department shall











promptly notify all interested parties that the summary order has been entered, of the reasons for the summary order, and that upon receipt by the department of a written request from a party, the matter will be set for hearing to commence not later than forty-five (45) business days after receipt of the request. If no hearing is requested and none is ordered by the department, the order remains in effect until it is modified or vacated by the department. If a hearing is requested or ordered, the department, after notice of the hearing has been given to all interested persons and the hearing has been held, may modify or vacate the order or extend it until final determination.

- (g) IC 4-21.5 does not apply to a proceeding under this section.
- (h) If a mortgage loan originator licensee or a principal manager licensee seeks to transfer the licensee's license to another loan broker licensee who desires to have the mortgage loan originator licensee or principal manager licensee act as a mortgage loan originator or as a principal manager, whichever applies, the mortgage loan originator licensee or principal manager licensee shall, before the mortgage loan originator licensee or principal manager licensee acts as a mortgage loan originator or as a principal manager for the new employer, submit to the department, on a form prescribed by the department, a license application, as required by IC 24-4.2-2-2.
- (i) If the employment of a mortgage loan originator licensee or principal manager licensee is terminated, whether:
  - (1) voluntarily by the mortgage loan originator licensee or principal manager licensee; or
  - (2) by the loan broker licensee employing the mortgage loan originator licensee or principal manager licensee;

the loan broker licensee that employed the mortgage loan originator licensee or principal manager licensee shall, not later than five (5) days after the termination, notify the department of the termination and the reasons for the termination.

- (j) If a material fact or statement included in an application under this article changes after the application has been submitted, the applicant shall provide written notice to the department of the change. The department may deny, revoke, or refuse to renew a license applied for or held by any person who:
  - (1) is required to submit a written notice under this subsection and fails to provide the required notice within two (2) business days after the person discovers or should have discovered the change; or











- (2) would not qualify for licensure under this article as a result of the change in a material fact or statement.
- Sec. 5. (a) The department may do the following:
  - (1) Adopt rules under IC 4-22-2 to implement this article.
  - (2) Make investigations and examinations:
    - (A) in connection with any application for licensure under this article or with any license already granted; or
    - (B) whenever it appears to the department, upon the basis of a complaint or information, that reasonable grounds exist for the belief that an investigation or examination is necessary or advisable for the more complete protection of the interests of the public.
  - (3) Charge as costs of investigation or examination all reasonable expenses, including a per diem prorated upon the salary of the employee performing the investigation or examination and actual traveling and hotel expenses. All reasonable expenses are to be paid by the party or parties under investigation or examination if the party has violated this article.
  - (4) Issue notices and orders, including cease and desist notices and orders, after making an investigation or examination under subdivision (2). The department may also bring an action on behalf of the state to enjoin a person from violating this article. The department shall notify the person that an order or notice has been issued, the reasons for the order or notice, and that a hearing will be set not later than forty-five (45) days after the department receives a written request from the person requesting a hearing.
  - (5) Sign all orders, official certifications, documents, or papers issued under this article or delegate the authority to sign any of those items to a deputy.
  - (6) Hold and conduct hearings.
  - (7) Hear evidence.
  - (8) Conduct inquiries with or without hearings.
  - (9) Receive reports of investigators or other officers or employees of the state of Indiana or of any municipal corporation or governmental subdivision within the state.
  - (10) Administer oaths, or cause them to be administered.
  - (11) Subpoena witnesses, and compel them to attend and testify.
  - (12) Compel the production of books, records, and other documents.











- (13) Order depositions to be taken of any witness residing within or without the state. The depositions shall be taken in the manner prescribed by law for depositions in civil actions and made returnable to the department.
- (14) Order that each witness appearing under the department's order to testify before the department shall receive the fees and mileage allowances provided for witnesses in civil cases.
- (15) Provide interpretive opinions or issue determinations that the department will not institute a proceeding or an action under this article against a specified person for engaging in a specified act, practice, or course of business if the determination is consistent with this article. The department may adopt rules to establish fees for individuals requesting an interpretive opinion or a determination under this subdivision. A person may not request an interpretive opinion or a determination concerning an activity that:
  - (A) occurred before; or
  - (B) is occurring on;

the date the opinion or determination is requested.

- (16) Subject to subsection (f), designate a multistate automated licensing system and repository, established and operated by a third party, to serve as the sole entity responsible for:
  - (A) processing applications for:
    - (i) licenses under this article; and
    - (ii) renewals of licenses under this article; and
  - (B) performing other services that the department determines are necessary for the orderly administration of the division's licensing system.

A multistate automated licensing system and repository described in this subdivision may include the Nationwide Mortgage Licensing System and Registry established by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators. The department may take any action necessary to allow the department to participate in a multistate automated licensing system and repository.

(b) If a witness, in any hearing, inquiry, or investigation conducted under this article, refuses to answer any question or produce any item, the department may file a written petition with the circuit or superior court in the county where the hearing,











investigation, or inquiry in question is being conducted requesting a hearing on the refusal. The court shall hold a hearing to determine if the witness may refuse to answer the question or produce the item. If the court determines that the witness, based upon the witness's privilege against self-incrimination, may properly refuse to answer or produce an item, the department may make a written request that the court grant use immunity to the witness. Upon written request of the department, the court shall grant use immunity to a witness. The court shall instruct the witness, by written order or in open court, that:

- (1) any evidence the witness gives, or evidence derived from that evidence, may not be used in any criminal proceedings against that witness, unless the evidence is volunteered by the witness or is not responsive to a question; and
- (2) the witness must answer the questions asked and produce the items requested.

A grant of use immunity does not prohibit evidence that the witness gives in a hearing, investigation, or inquiry from being used in a prosecution for perjury under IC 35-44-2-1. If a witness refuses to give the evidence after the witness has been granted use immunity, the court may find the witness in contempt.

(c) In any prosecution, action, suit, or proceeding based upon or arising out of this article, the department may sign a certificate showing compliance or noncompliance with this article by any person. This certificate shall constitute prima facie evidence of compliance or noncompliance with this article and shall be admissible in evidence in any action at law or in equity to enforce this article.

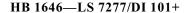
## (d) If:

- (1) a person disobeys any lawful:
  - (A) subpoena issued under this article; or
  - (B) order or demand requiring the production of any books, accounts, papers, records, documents, or other evidence or information as provided in this article; or
- (2) a witness refuses to:
  - (A) appear when subpoenaed;
  - (B) testify to any matter about which the witness may be lawfully interrogated; or
- (C) take or subscribe to any oath required by this article; the circuit or superior court of the county in which the hearing, inquiry, or investigation in question is held, if demand is made or if, upon written petition, the production is ordered to be made, or











the department or a hearing officer appointed by the department, shall compel compliance with the lawful requirements of the subpoena, order, or demand, compel the production of the necessary or required books, papers, records, documents, and other evidence and information, and compel any witness to attend in any Indiana county and to testify to any matter about which the witness may lawfully be interrogated, and to take or subscribe to any oath required.

- (e) If a person fails, refuses, or neglects to comply with a court order under this section, the person shall be punished for contempt of court.
- (f) The department's authority to designate a multistate automated licensing system and repository under subsection (a)(16) is subject to the following:
  - (1) The department may not require any person that is not required to be licensed under this article, or any employee or agent of a person that is not required to be licensed under this article, to:
    - (A) submit information to the department; or
    - (B) participate in;

the multistate automated licensing system and repository.

- (2) The department may require a person required under this article to submit information to the multistate automated licensing system and repository to pay a processing fee considered reasonable by the department.
- Sec. 6. Copies of any statement or document filed with the department, and copies of any records of the department, certified to by the director of the department or any deputy are admissible in any prosecution, action, suit, or proceeding based upon, or arising out of or under, the provisions of this article to the same effect as the original of the statement, document, or record would be if actually produced.

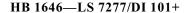
## Sec. 7. Upon:

- (1) disobedience on the part of any person to any lawful subpoena issued under this article, or to any lawful order or demand requiring the production of any books, accounts, papers, records, documents, or other evidence or information as provided in this article; or
- (2) the refusal of any witness to appear when subpoenaed, to testify to any matter regarding which the witness may be lawfully interrogated, or to take or subscribe to any oath required by this article;











it shall be the duty of the circuit or superior court of the county in which the hearing or inquiry or investigation in question is being or is to be held, where demand is made, or where the production is ordered to be made, upon written petition of the department, to compel obedience to the lawful requirements of the subpoena, order, or demand.

- Sec. 8. (a) If the department determines, after a hearing, that a person has violated this article, the department may, in addition to all other remedies, impose a civil penalty upon the person in an amount not to exceed ten thousand dollars (\$10,000) for each violation.
- (b) The department may bring an action in the circuit or superior court of Marion County to enforce payment of any penalty imposed under this section.
- Sec. 9. Any person who violates this article or any rule or regulation adopted under this article, in connection with a contract for the services of a loan broker, is liable to any person damaged by the violation, for the amount of the actual damages suffered, interest at the legal rate, and attorney's fees. If a person violates any provision of this article, or any rule or regulation adopted under this article, in connection with a contract for loan brokering services, the contract is void, and the prospective borrower is entitled to receive from the loan broker all sums paid to the loan broker.
- Sec. 10. (a) Except as provided in subsection (b), a person who knowingly violates this article commits a Class C felony.
- (b) A person who knowingly violates this article commits a Class B felony if the person damaged by the violation is at least sixty (60) years of age.
- (c) A person commits a Class C felony if the person knowingly makes or causes to be made:
  - (1) in any document filed with or sent to the department; or
  - (2) in any proceeding, investigation, or examination under this article;

any statement that is, at the time and in the light of the circumstances under which it is made, false or misleading in any material respect.

Sec. 11. (a) If a transaction for which a loan broker has charged any fee is rescinded by any person under the provisions of the Truth-in-Lending Act (15 U.S.C. 1601-1667e) within twenty (20) calendar days after a notice of the rescission has been delivered to the creditor, the loan broker shall return to the person any









consideration that has been given to the loan broker other than bona fide third party fees.

- (b) For purposes of calculating the time period during which a person may avoid a contract under IC 24-5-10-8 or IC 24-4.5-2-502, a contract with a loan broker shall be considered to be a sale of services that occurs on the date on which the person signs the written contract required by section 2 of this chapter.
- Sec. 12. (a) Each loan broker agreement shall be given an account number. Each person licensed as a loan broker or required to be licensed as a loan broker under this article shall keep and maintain the following records or their electronic equivalent:
  - (1) A file for each borrower or proposed borrower that contains the following:
    - (A) The name and address of the borrower or any proposed borrower.
    - (B) A copy of the signed loan broker agreement.
    - (C) A copy of any other papers or instruments used in connection with the loan broker agreement and signed by the borrower or any proposed borrower.
    - (D) If a loan was obtained for the borrower, the name and address of the creditor.
    - (E) If a loan is accepted by the borrower, a copy of the loan agreement.
    - (F) The amount of the loan broker's fee that the borrower has paid. If there is an unpaid balance, the status of any collection efforts.
  - (2) All receipts from or for the account of borrowers or any proposed borrowers and all disbursements to or for the account of borrowers or any proposed borrowers, recorded so that the transactions are readily identifiable.
  - (3) A general ledger that shall be posted at least monthly, and a trial balance sheet and profit and loss statement prepared within thirty (30) days of the department's request for the information.
  - (4) A sample of:
    - (A) all advertisements, pamphlets, circulars, letters, articles, or communications published in any newspaper, magazine, or periodical;
    - (B) scripts of any recording, radio, or television announcement: and
    - (C) any sales kits or literature;

to be used in solicitation of borrowers.











- (5) A report that lists all residential mortgage loans, including pending loans and loans that were not closed, originated by the loan broker. The report required by this subdivision must be searchable by, or organized according to, the borrower's last name and must include the following information for each residential mortgage loan listed:
  - (A) The name and address of the borrower or potential borrower.
  - (B) The name of the creditor.
  - (C) The name of the mortgage loan originator.
  - (D) The loan amount.
  - (E) The status of the loan, including the date of closing or denial by the creditor.
  - (F) The interest rate for the loan.

The report required by this subdivision may be prepared or produced by or through the loan broker's loan origination software or other software used by the loan broker in its loan brokerage business.

- (b) The records listed in subsection (a) shall be kept for a period of two (2) years in the office of the loan broker in which the loan was originated and must be separate or readily identifiable from the records of any other business that is conducted in the office of the loan broker. If the office in which any records are required to be kept under this subsection is located outside Indiana, the records must be:
  - (1) made available at a location that is:
    - (A) located in Indiana; and
    - (B) accessible to the securities division; or
  - (2) maintained electronically and made available to the securities division not later than ten (10) business days after a request by the securities division to inspect or examine the records.
  - (c) If a breach of the security of any records:
    - (1) maintained by a loan broker under this section; and
    - (2) containing the unencrypted, unreducted personal information of one (1) or more borrowers or prospective borrowers:

occurs, the loan broker is subject to the disclosure requirements under IC 24-4.9-3, unless the loan broker is exempt from the disclosure requirements under IC 24-4.9-3-4.

(d) A person who is licensed or required to be licensed under this article may not dispose of the unencrypted, unredacted

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personal information of one (1) or more borrowers or prospective borrowers without first shredding, incinerating, mutilating, erasing, or otherwise rendering the information illegible or unusable.

- (e) As used in this article, "personal information" includes any of the following:
  - (1) An individual's first and last names or first initial and last name.
  - (2) Any of the following data elements:
    - (A) A Social Security number.
    - (B) A driver's license number.
    - (C) A state identification card number.
    - (D) A credit card number.
    - (E) A financial account number or debit card number in combination with a security code, password, or access code that would permit access to the person's account.
  - (3) With respect to an individual, any of the following:
    - (A) Address.
    - (B) Telephone number.
    - (C) Information concerning the individual's:
      - (i) income or other compensation;
      - (ii) credit history;
      - (iii) credit score;
      - (iv) assets;
      - (v) liabilities; or
      - (vi) employment history.
- (f) As used in this article, personal information is "encrypted" if the personal information:
  - (1) has been transformed through the use of an algorithmic process into a form in which there is a low probability of assigning meaning without use of a confidential process or key; or
  - (2) is secured by another method that renders the personal information unreadable or unusable.
- (g) As used in this article, personal information is "redacted" if the personal information has been altered or truncated so that not more than the last four (4) digits of:
  - (1) a Social Security number;
  - (2) a driver's license number;
  - (3) a state identification number; or
  - (4) an account number;

are accessible as part of the personal information.



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- Sec. 13. Whenever a person licensed under this article, or a person required to be licensed under this article has possession of funds belonging to others, including money received by or on behalf of a prospective borrower, the person licensed under this article, or required to be licensed under this article, shall:
  - (1) upon request of the prospective borrower, account for any funds handled for the prospective borrower;
  - (2) follow any reasonable and lawful instructions from the prospective borrower concerning the prospective borrower's funds; and
  - (3) return any unspent funds of the prospective borrower to the prospective borrower in a timely manner.
- Sec. 14. Each loan broker licensee shall submit, at such times as the department may require, reports of condition to:
  - (1) the department; and
- (2) the Nationwide Mortgage Licensing System and Registry. A report required by this section shall be in the form and contain the information the department may require.
- Sec. 15. (a) A person shall not, in connection with a contract for the services of a loan broker, either directly or indirectly, do any of the following:
  - (1) Employ any device, scheme, or artifice to defraud.
  - (2) Make any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of circumstances under which they are made, not misleading.
  - (3) Engage in any act, practice, or course of business that operates or would operate as a fraud or deceit upon any person.
  - (4) Collect or solicit any consideration, except a bona fide third party fee, in connection with a residential mortgage loan until the residential mortgage loan has been closed.
  - (5) Receive any funds if the person knows that the funds were generated as a result of a fraudulent act.
  - (6) File or cause to be filed with a county recorder any document that the person knows:
    - (A) contains:
      - (i) a misstatement; or
      - (ii) an untrue statement;
    - of a material fact; or
    - (B) omits a statement of a material fact that is necessary to make the statements that are made, in the light of

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circumstances under which they are made, not misleading. (7) Knowingly release or disclose the unencrypted, unredacted personal information of one (1) or more borrowers or prospective borrowers, unless the personal information is used in an activity authorized by the borrower or prospective borrower under one (1) or more of the following circumstances:

- (A) The personal information is:
  - (i) included on an application form or another form; or
  - (ii) transmitted as part of an application process or an enrollment process.
- (B) The personal information is used to obtain a consumer report (as defined in IC 24-5-24-2) for an applicant for credit.
- (C) The personal information is used to establish, amend, or terminate an account, a contract, or a policy, or to confirm the accuracy of the personal information.

However, personal information allowed to be disclosed under this subdivision may not be printed in whole or in part on a postcard or other mailer that does not require an envelope, or in a manner that makes the personal information visible on an envelope or a mailer without the envelope or mailer being opened.

- (8) Engage in any reckless or negligent activity allowing the release or disclosure of the unencrypted, unredacted personal information of one (1) or more borrowers or prospective borrowers. An activity described in this subdivision includes an action prohibited by section 12(d) of this chapter.
- (9) Knowingly bribe, coerce, or intimidate another person to corrupt or improperly influence the independent judgment of a real estate appraiser with respect to the value of any real estate offered as security for a residential mortgage loan, as prohibited by section 3 of this chapter.
- (10) Violate any of the following:
  - (A) The federal Truth in Lending Act (15 U.S.C. 1601 et seq.).
  - (B) The federal Real Estate Settlement Procedures Act (12 U.S.C. 2601 et seq.), as amended.
  - (C) The federal Equal Credit Opportunity Act (15 U.S.C. 1691 et seq.).
  - (D) Any other federal law or regulation concerning residential mortgage lending.









- (b) A person who commits an act described in subsection (a) is subject to sections 4, 8, 9, and 10 of this chapter.
- Sec. 16. (a) A person licensed or required to be licensed as a loan broker under this article shall not employ a person to act as a mortgage loan originator unless the person is licensed as a mortgage loan originator or a principal manager under this article. The license of a mortgage loan originator or a principal manager is not effective during any period in which the mortgage loan originator or principal manager is not employed by a loan broker licensed under this article.
- (b) A person licensed or required to be licensed as a loan broker under this article shall not operate any principal or branch office of a loan brokerage business without employing a licensed principal manager at that location.
- (c) The licensed principal manager employed at a principal or branch office of a loan brokerage business shall supervise all employees at that location. If a licensed mortgage loan originator works from a location that is not a principal or branch office of a loan brokerage business, the mortgage loan originator shall be supervised by the principal manager employed at the principal or branch office at which the mortgage loan originator's loan files are sent.
- (d) An individual that acts solely as a loan processor or underwriter shall not represent to the public through:
  - (1) advertising; or
  - (2) other means of communicating or providing information, including the use of business cards, stationery, brochures, signs, rate lists, or other promotional items;

that the individual may or will perform mortgage loan origination activities or otherwise act as a mortgage loan originator.

Sec. 17. (a) An appeal may be taken by:

- (1) any person whose application for an initial or a renewal license under this article is granted or denied, from any final order of the department concerning the application;
- (2) any applicant for initial or renewed licensure as a principal manager or a mortgage loan originator, from any final order of the department affecting the application;
- (3) any person against whom a civil penalty is imposed under section 8 of this chapter, from the final order of the department imposing the civil penalty; or
- (4) any person who is named as a respondent, from any final order issued by the department under section 4 or 5 of this









chapter;

to the Marion circuit court or to the circuit or superior court of the county where the person taking the appeal resides or maintains a place of business.

- (b) Not later than twenty (20) days after the entry of the order, the department shall be served with:
  - (1) a written notice of the appeal stating the court to which the appeal will be taken and the grounds upon which a reversal of the final order is sought;
  - (2) a demand in writing from the appellant for a certified transcript of the record and of all papers on file in the department's office affecting or relating to the order; and
  - (3) a bond in the penal sum of five hundred dollars (\$500) to the state of Indiana with sufficient surety to be approved by the department, conditioned upon the faithful prosecution of the appeal to final judgment and the payment of all costs that are adjudged against the appellant.
- (c) Not later than ten (10) days after the department is served with the items listed in subsection (b), the department shall make, certify, and deliver to the appellant the transcript, and the appellant shall, not later than five (5) days after the date the appellant receives the transcript, file the transcript and a copy of the notice of appeal with the clerk of the court. The notice of appeal serves as the appellant's complaint. The department may appear and file any motion or pleading and form the issue. The cause shall be entered on the trial calendar for trial de novo and given precedence over all matters pending in the court.
- (d) The court shall receive and consider any pertinent oral or written evidence concerning the order of the department from which the appeal is taken. If the order of the department is reversed, the court shall in its mandate specifically direct the department as to the department's further action in the matter. The department is not barred from revoking or altering the order for any proper cause that accrues or is discovered after the order is entered. If the order is affirmed, the appellant is not barred after thirty (30) days from the date the order is affirmed from filing a new application if the application is not otherwise barred or limited. During the pendency of the appeal, the order from which the appeal is taken is not suspended but remains in effect unless otherwise ordered by the court. An appeal may be taken from the judgment of the court on the same terms and conditions as an appeal is taken in civil actions.

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Sec. 18. A loan broker agreement that is delivered or required to be delivered by a person licensed or required to be licensed under this article to a borrower or prospective borrower must contain:

- (1) the license number of the loan broker; and
- (2) the license number of each:
  - (A) mortgage loan originator; or
  - (B) principal manager;

who had contact with the file.".

Page 35, delete lines 2 through 42, begin a new paragraph and insert:

"SECTION 23. IC 23-2-5 IS REPEALED [EFFECTIVE JANUARY 1, 2011].

SECTION 24. [EFFECTIVE UPON PASSAGE] (a) As used in this SECTION, "commissioner" refers to the securities commissioner appointed under IC 23-19-6-1.

- (b) As used in this SECTION, "department" refers to the department of financial institutions.
- (c) As used in this SECTION, "director" refers to the director of the department of financial institutions appointed under IC 28-11-2-1.
- (d) The definitions in IC 23-2-5-3, as amended by this act, apply throughout this SECTION.
- (e) The commissioner and the director shall cooperate to facilitate the transfer of responsibility for the licensing and regulation of:
  - (1) loan brokers;
  - (2) mortgage loan originators, and
  - (3) principal managers;

from the commissioner to the department effective January 1, 2011, as required by this act.

- (f) The commissioner and the director shall issue joint written guidelines concerning any legislation recommended for introduction during the 2010 session of the general assembly to facilitate the transfer described in subsection (e). The guidelines issued under this subsection shall be submitted to the following not later than November 1, 2009:
  - (1) The legislative council.
  - (2) The members of the senate standing committee that has jurisdiction over legislation concerning financial institutions.
  - (3) The members of the house of representatives standing committee that has jurisdiction over legislation concerning

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financial institutions.

The report to the legislative council required by this subsection must be in an electronic format under IC 5-14-6.

(g) This SECTION expires July 1, 2011.

SECTION 25. [EFFECTIVE JANUARY 1, 2011] (a) Notwithstanding the repeal of IC 23-2-5 on January 1, 2011, by this act, the loan broker regulation account created by IC 23-2-5-7, before its repeal by this act, continues in existence after December 31, 2010, and may be used by the department of financial institutions for the regulation of loan brokers, mortgage loan originators, and principal managers under IC 24-4.2, as added by this act.

(b) This SECTION expires January 1, 2012.

SECTION 26. An emergency is declared for this act.".

Delete pages 36 through 37.

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1646 as introduced.)

BARDON, Chair

Committee Vote: yeas 9, nays 0.

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